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East Europe Report

ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2111



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CONTENTS

BULGARIA

- More Than 50 Percent of Operations in Mines Are Manual
(Dimitur Stoyanov; RUDNICHAR, 12 Feb 81) 1

CZECHOSLOVAKIA

- Trade Union Role in Implementing Set of Measures
(Vaclav Bezel Interview; SVET PRACE, 19 Jan 81) 4
- New Wage Policy for Set of Measures Summarized
(RUDE PRAVO, 21 Jan 81) 9
- Debate on Measuring Economic Performance Continues
(Ladislav Chrudina; HOSPODARSKE NOVINY, 4 Jan 81) 12

GERMAN DEMOCRATIC REPUBLIC

- Crop, Weather Report Published for January 1981
(D. Krumbiegel; FELDWIRTSCHAFT, Mar 81) 17
- Discontent Reported Over Housing Problems
(Michael Mara; DER TAGESSPIEGEL, 8 Feb 81) 20

HUNGARY

- Supply of Chemical Fertilizer, Plant Protective Agents Ample
(NEPSZABADSAG, 10 Mar 81) 23

POLAND

- Seed Shortage Poses Problems This Spring
(GLOS PRACY, 12 Feb 81, CHLOPSKA DROGA, 25 Feb 81) 24
- Less and Poorer-Quality Seed
Need for Increased Imports, by Pawel Rucinski

Reactivation of Pharmaceutical Cooperatives Mentioned (KURIER POLSKI, 2 Feb 81)	27
--	----

Long-Range Forecast of Steel Industry Raw Material Requirements (Antoni Kolano, Stanislaw Tuszewski; HUTNIK, Nov 80)	29
---	----

YUGOSLAVIA

Joint Investments in Underdeveloped Republics, Kosovo (BORBA, 14 Feb 81)	36
---	----

Small-Scale Industrial Projects in Kosovo (V. Cikanovic; JEDINSTVO, 9 Feb 81)	38
--	----

Pensioners in the SFRY, Serbia Proper Listed (KOMUNA, Nov 80)	40
--	----

Status, Problems of Small-Scale Business Development (Mirko Dokic; VESNIK INVESTBANKA, Oct-Nov 80)	41
---	----

Briefs

Spring Planting	57
Planting in Vojvodina, Macedonia	57
Planting in Bosnia-Herzegovina	57
Planting in Croatia	57
Planting in Serbia	58
Planting in Montenegro	58
Kosovo Population	58

BULGARIA

MORE THAN 50 PERCENT OF OPERATIONS IN MINES ARE MANUAL

Sofia RUDNICHAR in Bulgarian 12 Feb 81 p 2

[Article by Candidate of Technical Sciences Engineer Dimitur Stoyanov: "Decisive Offensive Against Manual and Physically Heavy Labor!"]

[Text] "...Wherever we cannot develop comprehensive production automation we must concentrate on comprehensive mechanization. This particularly applies to auxiliary activities such as plant transport, repairs, loading and unloading operations and so on. Currently such activities involve a tremendous number of workers whose job is hard and unattractive. In the very first years of the five-year plan we will have the possibility to reduce manual labor in all economic sectors 40-50 percent." From the report by Comrade Todor Zhivkov delivered at the national conference held at Universiada Hall in December 1980.

The decision of the BCP Central Committee Secretariat, dated 11 September 1980 and Council of Ministers Decree No 62 of 12 November 1980 on improving efforts to reduce manual and physically hard and unattractive work are direct manifestations of the great concern and attention paid by the BCP and the government to protecting the health and work capability of the working people.

The priority given to this exceptionally important problem is also related to the implementation of the assignments set by Comrade Todor Zhivkov at the July BCP Central Committee Plenum on the accelerated application of the highest contemporary achievements of the scientific and technical revolution, the further intellectualization of labor and the substantial enhancement of public labor productivity, to be achieved within a short period of time.

Even though the problem of reducing manual and physically hard work has always figured in a number of party and government decisions and documents, the progress reached so far, particularly in coal mining and mine construction, has been unsatisfactory and below our potential, high requirements and contemporary achievements in the field of scientific and technical progress.

Classical experience indicates that wherever the social significance of mechanization and automation of output are underestimated and, on this basis, manually and physically hard work is not reduced, a substantial scarcity of manpower and high turnover are noted.

In the future, as the educational level of young people rises, it will be ever more difficult to find the necessary performing cadres, particularly in coal mining and mine construction where heavy manual and unattractive labor predominates.

Currently, in the underground coal mines, the mechanization of basic extraction and preparatory operations has reached, respectively, 40 and 50 percent. These figures are eloquent proof that a broad front exists on which to mount a decisive offensive against manual and physically hard work with the help of comprehensive mechanization and automation of production processes.

In the Eighth Five-Year Plan--a five-year plan of technical progress and intellectualization of labor--under conditions governed by systematic application of the new economic approach for the fast and energetic application of the highest contemporary achievements of the scientific and technical revolution and of worldwide experience--the reduction and gradual elimination of manual and physically hard and unattractive labor becomes a permanent task in the practical application of scientific achievements and an important prerequisite for upgrading labor productivity and production effectiveness.

Having assessed the importance of the problem, at the end of last year the engineering-application and economic organizations and their branches set up permanent specialized groups whose main task is the systematic, purposeful and profound study and analysis of the condition and factors of manual labor and the formulation of specific measures leading to the gradual reduction and elimination of manual and physically hard and unattractive work through the introduction of new modern technical solutions and facilities and insuring the maximum comprehensive mechanization and automation of basic and auxiliary production processes.

Noted specialists, designers, economists, production workers, inventors, rationalizers, leading production workers and representatives of trade unions and scientific and technical societies must be made members of the permanent specialized groups. Comprehensive programs at all levels will be drawn up in the course of the organization and comprehensive study of manual and physically hard and unattractive work, on the basis of the summarized and analyzed results, for the purpose of reducing and eliminating such labor.

Manual labor which complements the work of machines and mechanisms, i.e., the auxiliary functions performed by the workers in the course of their normal operations, will be analyzed. This will apply, above all, to the type of labor in which the workers do not use labor tools or apply the simplest possible attachments without mechanized or other power drives. The purpose of such inventory taking, consisting of filling out special forms and their machine processing, is to determine the type of manual operations which are performed and their specific conditions, and the number of workers, including women, performing them; how to ease, reduce and eliminate the manual work and what ways and means are to be used; what funds will be required for the implementation of the specifically earmarked measures and what will be the expected economic and social results of the implementation of the comprehensive programs.

The comprehensive programs and, respectively, the measures which will be taken to reduce and eliminate manual and heavy work on a planned basis will be backed by the necessary material, manpower and financial resources. They will be a part and parcel of the engineering projects and the counterplans of economic organizations and their branches. Their strategic purpose is to reach over the next 5 to 10 years the level of the leading socialist countries in this area.

As soon as possible the permanent groups will be issued lists of jobs and professions, approved by the Ministry of Public Health and central committees of sectorial trade unions, to be mechanized and automated on a priority basis. They will include the most common and labor intensive manual processes and operations and work done primarily by women. Standards will be drafted on the reduction of manual and physically hard work in designing capital construction projects, as well as catalogues of machines and facilities for the mechanization and automation of manual processes and operations which are either produced or whose production is planned for the Eighth Five-Year Plan.

The engineering-application organizations and centers for scientific and technical information will provide considerable aid and assistance to the local work groups. They will study domestic and foreign experience, Soviet leading experience above all, and promote their dissemination and application.

The managements of engineering-application and economic organizations and the branches, together with the specialized permanent groups and scientific and technical unions and societies, must develop extensive organizational and applied activities to insure a radical change and mount a decisive offensive on a broad front against manual and physically hard work.

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CSO: 2200

TRADE UNION ROLE IN IMPLEMENTING SET OF MEASURES

Prague SVET PRACE in Czech No 2, 19 Jan 81 pp 2,3

[Interview with Vaclav Bezel, chairman of the Czech Trade Union Council by SVET PRACE staff members J. Horakova and L. Hoeschl]

[Question] The resolutions of the 18th CPCZ Central Committee and preparations for the 16th CPCZ Congress are clearly reflected in the life of our entire society and the activities of social and economic organizations. In this context, which are the most important trade union tasks in your opinion?

[Answer] "The main tasks facing trade unions in this period are contained in the resolutions of the 10th plenum of the Central Council of Trade Unions. They must be explained to all trade unionists and fully implemented in all trade union activities and actions in practice to be embraced by all our members.

The key objective is to prevent fragmentation of the efforts of our trade union movement. Other trade union organs such as the Czech Trade Union Council, kraj trade union councils or associations must not set out in other directions or weaken the policy line set by the 10th plenary session.

This is of prime importance because this year our trade union movement faces many vital tasks assigned both by organs of the party and their resolutions and by the Set of Measures and Objectives of the Seventh Five-Year Plan. There is no need to pretend. For example, in preparing for the 10th plenary session of the Central Trade Union Council the question came up what program to set for 1981. The conclusion was reached and found correct by ROH gatherings, aktivs and meetings that no new program needs to be prepared for 1981 but that the program adopted for 1980 will continue to be implemented till the 16th CPCZ Congress, supplemented by the urgent tasks assigned by the 10th plenum. After the party congress we hope to refine the program to meet the needs of trade union activities till the 10th All Union Congress."

[Question] In this, the first year of the Seventh Five-Year Plan, all trade unionists are interested in the planning and management changes contained in the Set of Measures, primarily in those which affect the trade unions directly. For example, will anything change in the workers' position and participation in management?

[Answer] "For us as trade unionists the Set of Measures raises three important problems. The first is worker participation in the preparation of the plan. The second, what active role will workers play in its implementation and also in monitoring the fulfillment of economic tasks. The third, how the achievements will be evaluated. Consideration of these three questions leads to the obvious conclusion that in factories and enterprises trade unions should participate in all vital decisions. How they will participate must naturally be left to the trade unionists. And by trade unionists I do not mean only trade union officials, branch representatives, chairmen of local trade union organizations and other representatives but also foremen, section chiefs and all workers in the economy because they all are trade unionists.

We should learn from our failure to take full advantage of the first opportunity during the preparation of the 1981 plan which, as everybody knows, was somewhat delayed. There were objective reasons for the delay caused by our foreign economic relations but also in the fact that the first year of the five-year plan is always the most difficult.

But we definitely cannot stand idly by while the details of the plan are set. At the joint conference of the Czech Trade Union Council and the CSSR Government we requested the government presidium to order prompt detailing of the plan following its ratification by the legislative organs and to avoid bureaucratic interference and create conditions for a thorough discussion of the plan in the *khozraschot* sphere. For example, every worker should know how much he will be paid for his labor if he makes an effort and what the penalty will be for shoddy and inefficient work. Everybody must learn that producing just anything at any cost has come to an end.

In the Seventh Five-Year Plan the growth rate of our national economy is expected to slow down due to lower energy, raw material and supply resources available for production. But there are hidden reserves which we can and must exploit. Frequently even the smartest economist and planner is unable to uncover them but the workers and others knowledgeable in their fields know what could be done more simply, economically and better. Unfortunately, this savvy and knowhow of the workers was not applied fully in preparing the 1981 plan. I consider this to be a serious shortcoming attributable to state economic and trade union organs which must be fully corrected in the specifications of the plan where the abilities and knowledge of our workers can do the most good."

[Question] The Set of Measures designed to improve the system of planned management has come into force. Enterprises are already expected to abide by its provisions this month. But the results of their impact will not be determined only by the efforts of economic managers but primarily by the people engaged in production, the workers. But, so far, workers know very little about what practical impact the Set of Measures will have on their lives...

[Answer] Yes, this is true even in enterprises which were involved in the experimental verification of the impact of the Set of Measures. Naturally, this is wrong because the Set of Measures will not yield results on its own merit but is only designed to create favorable conditions. As long as workers do

not abide by the new rules, act on them and particularly produce results, their introduction will remain a mere formality instead of yielding the expected results. Therefore, it is most important that the workers familiarize themselves with the "rules of the game." And not only in general terms which have been publicized widely enough already but in specific terms as they apply to individual work places to inform the workers about what the new conditions will require of them, what consequences they will have and how they will have to work and so on. Of course, this cannot be accomplished by the central authorities nor by lecturing but only by managers at all levels of the economy. That is an indispensable condition of success because the Set of Measures will affect engineers differently from miners and miners differently from construction workers. Each sector has its specific conditions, and has a different relationship to means of production and last but not least also different work requirements.

But in all sectors the worker must know the cost of the material he works with, what social contribution his labor represents or why the product into which he has invested his labor and society has invested the necessary energy and why material resources lie unsold in storage, or what the procedure or penalties will be if assortment or quality requirements are not met. Workers must likewise know how much they will be paid for their work, what they will gain by achieving savings in raw materials, supplies, power, etc.

It used to be easier not to ask these questions too insistently or look closely for explanations. Also it was less disturbing not to have to think too much about one's performance because the pay slip showed little difference whether one worked diligently or not."

[Question] What will be the effect of the envisioned changes mentioned above furthering various forms of worker initiative?

[Answer] We do not intend to give priority to any [particular] form of incentive. All forms which produce results will be applied and developed. The 10th URO [Central Council of Trade Unions] Plenum has made it quite clear: It is not the type of competition which is important but its content which must address the vital tasks. Therefore, we must be consistent in the simultaneous specification of the plan and determination of the principal approaches to developing worker initiative in members of socialist labor brigades, comprehensive rationalization brigades, improvers and inventors, innovators and in the entire preproduction sphere. This is the duty of economic managers. Otherwise worker initiative and socialist commitment in production could be misdirected and fail to serve the needs of the domestic and export markets. The objective should not be to measure results in tons or in gross production but mainly in terms of quality, efficiency and productivity.

Questions of the working and living conditions definitely also qualify as objects of socialist commitments. It is a well known fact that the quality of the peoples' working and living conditions influences their behavior and, of course, also their output and thinking.

The socialist commitments set for this year already show a noticeable qualitative shift toward specific objectives. This trend is desirable and must be encouraged. But if worthwhile improvements are to be achieved in developing worker initiative we must insist on systematically improving prerequisites and conditions of the work environment improved management and organizational changes that will enable workers not only to make commitments but also to fulfill and exceed them.

Therefore, we have agreed with state and economic organs to monitor commitment fulfillment publicly, and I mean publicly, using all known methods and means. This includes a much greater respect for worker comments, their observations and proposals to improve production than in the past. This is the only way to raise the interest of workers in questions of organization to achieve greater efficiency, quality and productivity.

[Question] Many consumer goods have been in short supply for a number of years. Is it possible to remedy this situation at a time when overall conditions in our economy including its raw material and energy resources are rather strained?

[Answer] We try to produce a greater quantity and broader assortment of needed products. But in order to satisfy the ever growing demand we must reduce the production input which in many instances is unjustifiably high and exceeds world averages. To achieve a greater turnover and to reduce production expenditures to desirable levels we need to consult the workers because frequently they are the ones who know how as I said to produce more with a smaller raw material and energy input. Right now maximum input and minimum output characterizes the situation in our economy. And this must be radically changed.

That many good resolutions are never kept is a fact of life. Take, for example, the question of thrift. We know that there are enterprises which observe strict economy and in the right places. But we also know of places which do not practice thrift at all even though they should. These problems must be resolved and rectified by the worker collectives.

When we included the stipulations of achieving 0.3 percent saving in material resources in last year's ROH activity plan, we had certain doubts about the feasibility of this demand. But in 6 months a 0.29 percent saving was achieved which in monetary terms represents 855 million crowns, no paltry sum. But it also revealed that the saving potential is much greater than we suspected if everybody practices thrift wherever possible. For example, in one of the key sectors of our economy our metal workers exceeded planned material and other expenditures. They practice good economy. They realize that great hidden reserves exist whose exploitation depends on all of us. Nothing comes free, we will have only what we produce.

[Question] The so-called Schoking experiment raised a good deal of interest among our workers. Its principle is generally known. When a collective of workers can spare one worker then part of the saving in wages is distributed among the others. How about introducing this experiment in our country?

[Answer] Towards the end of last year the federal government has decided to create conditions for introducing the Schoking experiment in our country beginning this year.

What do we expect? First of all the achievement of savings in labor, the possibility of resolving the shift work problem, improving work discipline and, of course, also enhancing the effect of material incentives on the fulfillment of economic tasks by workers. Because, if workers feel shortchanged in their pay envelopes because of the presence of poor workers among them they will naturally want to get rid of them. This will also complicate the life of trade union organization which will have to deal with such situations. But it must become clear that trade unions will not and cannot protect cheaters and loafers.

On the other hand the introduction of this method will make it possible to raise the pay of those with an above average output. Take, for example, women working in the textile industry. Scores of them operate several machines, performing thereby the work of several workers. Hitherto their output was rewarded more by the recognition but why shouldn't they get paid more for their extra work and effort? Because even under socialism, material incentives must fulfill their important role of bringing about dynamic development of the national economy. Correctly applied they are an indispensable tool toward this end.

[Answer] Our thanks for granting us this interview.

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NEW WAGE POLICY FOR SET OF MEASURES SUMMARIZED

Prague RUDE PRAVO in Czech 21 Jan 81 p 1

[Unsigned article: "According to Merits"]

[Text] Provisions on wage questions constitute an important part of the "Set of Measures for Improving the Planned Management System." The Presidium of the CPCZ Central Committee discussed the "Main Directions of Wage Policy After 1980" as early as June 1980. This document was amplified by the "Program for Increasing Economic Efficiency of Wage Systems During the First Years of Seventh Five-Year Plan" which is directly related to the "Set of Measures." The material contains the fundamental principles of improving the wage system in the distribution process, deals with the existing weak points of contemporary wage practice, and is based on the findings and experience gained in the rationalization of labor, wage systems and other wages measures recently adopted.

The "Program for Increasing Efficiency of Wage Systems" creates conditions for more consistent dependence of wage funds formation and distribution on the growth of national income and social labor productivity. It takes into account the planned volume of wage funds and the share of wages in the national income during the Seventh Five-Year Plan.

This program aims at higher efficiency of all important elements of the wage system. It strives in the first place to strengthen the principle of merits and interest of workers in the fulfillment of the key planned tasks in order to link as closely as possible the total remuneration to the specific results of work and management. The implementation of principles, governing the increase in efficiency of the wage system is a very demanding and responsible political and economic task.

The "Program for Increasing Economic Efficiency of Wage Systems" requires a more consistent application of the socialist principle of remuneration according to the quantity and quality of work performed in order to make every worker's remuneration fully dependent on specific results of his work. For this reason the entire wage system and particularly its variable components -- premiums and bonuses -- will be more consistently oriented to compliance with the qualitative plan indicators.

The goal thus is making the wage funds dependent on the formation of national income and growth of social labor productivity. To accomplish this goal, it is therefore necessary to tie the amount of wage funds to the indicators reliably

reflecting labor and wage requirements (value added) and to the increase in economic efficiency, while substantially increasing the portion of wage funds tied to the indicators of efficiency.

Equally important is the establishment of closer ties between the trend in wages and technical standard and quality of products, both by the preferential pricing of technically progressive and quality products on the one hand and penal reduction of prices of obsolete and inferior products on the other hand. In this context, the full amount of damage and losses caused by inferior production will therefore be deducted from the economic results and indicators decisive for the formation of wage funds.

The means which the program for increasing efficiency of the wage system chooses are not new, but stem from individual sections of the "Set of Measures," and our public had the opportunity to acquaint itself with them more than 9 months ago. The same is true of other requirements resulting from the "Set of Measures," such as the determination of proportion of wages in relation to the key results of economic activity in the form of mandatory limits for wage funds set for the five-year period with the breakdown for individual years or the necessity of systematically controlling the wage trend, that is the relationship between the economic results and consumption of wage funds specified by the five-year and annual plans, and the necessity of promptly adopting corrective measures, if the development takes an unfavorable course.

It would be incorrect, however, to regard these measures as setting the limits for the formation of wage funds. This is by no means the case. The point is to control their development in harmony with the economic results achieved, which offer all possibilities of formation and use of wage funds. After all, the consistent enforcement of the principle of merits in wage practice -- in order to make the remuneration fully dependent upon the work results and benefit to the society -- offer great possibilities of better appreciating honest creative work and of rewarding exemplary workers, who are principally responsible for the outstanding economic results, by differential wages.

Naturally, each wage system must reflect and promote the goals and intentions of economic policy. In addition to enforcing the principle of merits, it therefore aims also at increasing the effect of wages on the distribution of labor force among the key social areas. It creates additional conditions for labor stabilization, and, by the formation and distribution of wage funds, promotes the intentions of state economic policy such as a substantially better utilization of raw and industrial materials and energy, utilization of the labor force, mobilization of reserves for greater labor productivity and so on.

The increase in economic efficiency of the wage system and its adaptation to the increasingly demanding tasks of the Seventh Five-Year Plan and subsequent periods is anticipated in two stages. In accordance with the economic need during the first years of the Seventh Five-Year Plan, the incentive effect of wages will be primarily reflected in the improved and extended basis of norms of all types and in the wider application of incentive wage forms. For this reason, the principal goal of the first stage is to press more consistently for the optimum relation between the amount of work performed and remuneration for it, to link on a priority basis personal material incentives to higher efficiency and quality, and to promote greater work initiative more effectively.

An important political, technical and organizational task will be the objectification of labor norms and their application also to auxiliary, service, management and administrative work, where many reserves still exist. The objectification of norms is absolutely essential because the norms in many areas no longer correspond to the reality or contemporary requirements and possibilities. We can say that in many respects the obsolescence of norms is the stumbling block to further effective increase in efficiency and quality.

The objectification of norms is thus an indispensable, but also a very demanding measure. Therefore a well-thought-out political and organizational approach must be devised at all levels of management. Due to the politically delicate nature of these measures, all enterprises and plants must create an atmosphere in which the workers will realize the meaning of the norms' objectification and will actively participate in this process.

Likewise, the objectification of norms cannot be regarded as a one-time campaign. In addition to its implementation during the current period, steps must be taken to maintain the labor norms at the adequate level in the future as well. Only if the objectification of norms is correctly implemented now will it be possible to start with the second stage of improvement of the wage system by the justified changes in the tariff system in the later period of the Seventh Five-Year Plan.

Together with the improvement of direct control, the broader and better normative basis is an important prerequisite for the application of motivatively effective wage forms. Through them material incentives and responsibility of each work collective and individual will be reflected in the fulfillment of assigned tasks.

The increase in economic efficiency of the wage system is an integral part of the implementation of the "Set of Measures." It is therefore the task of party, trade union and youth organs to create favorable political conditions for this purpose, to intensify political education of workers, to guide the managerial personnel to the proper preparation of specific measures, to responsibly evaluate the progress in their implementation and to actively contribute to the solution of existing problems. Above all, however, the principal goal must be emphasized -- to create in our national economy conditions which will more effectively promote the social and economic development of our society.

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DEBATE ON MEASURING ECONOMIC PERFORMANCE CONTINUES

Prague HOSPODARSKÉ NOVINY in Czech 4 Jan 81 p 4

[Article by Engr Ladislav Chudina, Federal Ministry of Technological and Investment Development: "There Is No Simple Formula - Is Payback Really the Central Motive?"]

[Text] Motivating long-term involvement of participants in the investment process to achieve designed construction parameters is undoubtedly one of the key problems in managing the efficiency of capital investment. That is why it is necessary to consider the article of Engr Josef Fogel and Engr Arnost Culik in HOSPODARSKÉ NOVINY No 40/1980 as very important and stimulating. They brought up questions which will be decisive for the successful implementation of the Set of Measures for Improving the Planned Management System of the National Economy After 1980.

The capital payback period indicator is without doubt one of the most intelligible and most popular indicators for evaluating the efficiency of capital investment. Its popularity goes so far that often it is considered as the general indicator of efficiency. Is this really so?

Indicators of investment efficiency must meet two conditions--first, they must be the criteria for capital allocation to certain sectors and branches of the national economy as well as specific production processes, and, secondly, the criteria for the economic management of these production processes. Not every criterion is suitable for both conditions. Consequently, in our system of management we use the nomenclature of indicators together with other tools of which the balancing of needs and resources has top priority.

Yes or No?

The competence of payback indicators in the matter of meaningful allocation of capital to individual production processes is very limited. I will cite at least three main objections. The first relates to the principle question of whether profit can be a criterion for the allocation of collective work for socialism. It must be pointed out that an unqualified affirmative reply has very few supporters. I believe that profit can fulfill this function only indirectly as an expression of previously placed priorities. Thus it works only as a tool for coordinating local and social interests. The fulfillment of this one of its functions is, however, connected with the formulation of optimal conditions and optimal prices in the national economy or questions which are far from being answered satisfactorily even on a theoretical level. In order to be fair in the matter of the payback indicator we have to admit that this objection applies to all indicators working with profit, as, for example, even to the return on production assets.

The second objection concerns the construction of the indicator itself. In the form in which it is used most the payback indicator is designated as part of the total of profit and depreciation on investment costs. If we take an inverted value of this indicator we can represent it like this:

$$\frac{Z + A}{I} = \frac{Z}{I} + \frac{A}{I}$$

Z = profit

A = depreciation

I = investment

If we substitute the value of capital assets for investment we see that the payback is influenced by the return on capital assets and the rate of depreciation.

The return on capital assets is a key component of production assets, whose size in the Czechoslovak price model is differentiated (after the last price reorganization from 4.8 to 11.5 percent) and depreciation rates are also similarly differentiated. This means that in individual sectors there are generally different conditions for various paybacks on investments.

The third objection is based on the fact that the payback indicator does not recognize the service life of the investment. Consequently, a project with a longer payback period may be more efficient than a project with a shorter payback period. For example, a project with a service life of 10 years has a payback period of 5 years and so is paid off twice during its service life, but a project with a service life of 21 years and a payback period of 7 years is reimbursed three times during its service life and is therefore more advantageous.

Problem Indicators?

So there will be no misunderstanding I am not at all disputing a certain justification for the payback indicator. From the viewpoint of balance in capital investment the relationship between investments with long-term and those with short-term paybacks is very important. Excessive capital appropriations with long-term payback periods actually create inflationary pressure which is very hard to resist in economics. But the problem of allocating capital certainly cannot be reduced only to the problems of the indicators. The efficiency of investments must be managed by a number of more effective instruments with goal-oriented program planning in the forefront.

We can express the positive role of the investment payback indicator in relation to its evident ability to effect economy in operations. But the question here is whether the extent of this indicator can determine how economical or uneconomical a given formulated alternative is (the result of capital investment is de facto a design alternative). The authors of the article "Payback is the Central Motive" write that, "Insofar as this improvement," that is, of design parameters at the cost of higher expenditures, "is reflected in reduced production costs or increased profits, then it is possible to maintain the planned percentage of reimbursement." (Percentage of reimbursement means the distribution of the results of the investment, expressed in a percentage, cumulatively throughout the payback period--see the cited article.)

The objection to this claim bears upon the formulation of the criteria for the selection of design alternatives by which, in practice, costs are transferred. Comparing the payback indicator with the indicator for transferred costs would exceed the scope of this article. However, the evidence in favor of the indicator for transferred costs has already been submitted. (It suffices to mention the best known authors, such as Professors Novozilov or Bogachev.) The fact that these indicators give contradictory results is also shown by this example:

	Alternative I	Alternative II
Output	Kcs 100 million	Kcs 100 million
Cost	Kcs 80 million	Kcs 70 million
Profit	Kcs 20 million	Kcs 30 million
Investment	Kcs 400 million	Kcs 540 million
Payback	20 years	18 years
"Transferred cost"	Kcs 120 million	Kcs 124 million

An investment with a shorter payback period thus has higher transferred costs and so is less efficient than an investment with a longer payback period. (The transferred costs are converted by means of the normative coefficient of efficiency, in our example 0.1 investment, into an enumerator form with production costs according to the formula $K_n I + N$ with K_n = normative coefficient and N = production costs)

Is There a Flaw in the Regulations?

Current regulations and those in preparation on the efficiency of capital investment do not overestimate the role of the payback indicator, although they do not neglect it either. The payback indicator is part of the indicator nomenclature. It has a supporting role and is a component of the comprehensive analysis of efficiency from the viewpoint of financial relations. The methodology of evaluating the efficiency of investments is a methodology of evaluation *ex ante*, so it cannot be criticized that "it leads to considering payback of investments from the very moment that test or full operations begin." Evaluation *ex ante* cannot distinguish between the planned and actual time of the start of operations for the simple reason that no actual deadline exists at the time of evaluation. According to this methodology (decree of the Federal Ministry of Technological and Investment Development No 3/1975 on principles of evaluating the efficiency of investments) it is possible, however, to express the incidence of different times of construction as well as times of test runs of the alternatives under consideration because, as already emphasized, the project constructed is an alternative design.

Thus there is nothing to prevent the use of this methodology (which is more accurate than that proposed by the authors of the article because it also considers the factor of time) also for evaluating payback *ex post*, if management bodies consider it useful. For the sake of completeness it should be mentioned that in the final technical-economic evaluation of projects the consequences of slippage in starting up facility operations and other implementations are evaluated. So there is nothing to adjust either in the current regulations or those in preparation. The authors of the article, however, were concerned about something more: the economic stake of participants in capital construction with regard to fulfillment of the parameters.

Percentage of Reimbursement: A Tool for Monetary Incentive

For the time being let us put aside the matter of objections to payback indicators and consider the suggestion in the cited authors' article. The percentage of reimbursement is adjudged to have three possible active functions. Its first function is to effect purposeful and efficient coordination among the investor, designer and supplier in the preparation of the project through the fact that these participants will somehow (it does not say how) be motivated to maintain the percentage of reimbursement determined beforehand for the particular years of operation. Its second function is based on the fact that in the effective period the percentage of reimbursement works to maintain its timely and material dimensions. Its third function, although the authors do not specifically say so, exists in the pressure it places on the operators of the project to make appropriate use of it.

Undoubtedly the positive feature of this proposal is that for the entire process of preparation, implementation and utilization of the investment and for all participants in this process the monetary incentive is designated as the single, comprehensive and unifying criterion, even though the article fails to give a significant reply to the question of how to secure this motivation. Transferring long-term motivation into personal monetary incentives is obviously more complicated than the authors suggest. The principles they suggest more likely correspond to collective motivation.

The deficiency of the whole proposal in my opinion, however, lies in another area.

In the first place, I stated that the payback indicator for investments gives differing results when evaluating alternative than the indicator of transferred costs. The main function of the percentage of reimbursement is actually nothing more than a criterion for selection of the optimal design alternative. However, in the methodic regulations this function is quite rightly carried out by the anticipated costs. In the methodology for evaluating investment efficiency which is in preparation there is one other important tool whose function is to produce high technical-economic standards in the project. This tool is the system of technical-economic indicators from which a model or comparison alternative is formed. This alternative is compared with the proposed design by using the criterion of transferred costs, in addition to factor analysis. It is assumed that a similar method will be used to compare the final result, that is, the completed project.

In the second place, closer relations between the supplier organizations and the investment preparation process or the integration of design and production preparations cannot, in my opinion, be achieved by means of even the best constructed indicator of monetary incentive as long as other measures are not taken. The experiences obtained by personnel of the Federal Ministry of Technological and Investment Development in carrying out capital investments show that the nub of the problem lies in timely coordination of design and preproduction preparations, and also in increasing the responsibility of the general developer for the selection of products and construction and assembly procedures which can be effected by obtaining preliminary costs of construction within stipulated deadlines and by adhering to technical-economic parameters of the project.

In the third place, it appears to me somewhat problematical to assume that a share in the percentage of reimbursement is a sufficient stimulus for timely and good quality construction. After all, it must be apparent that increased costs of construction

are much stronger stimuli for suppliers, if only because they bring immediate advantages. Furthermore, as the authors correctly point out, the percentage of reimbursement will be strongly influenced by the quality of the acquisition and the utilization of the completed project, therefore it would be necessary to specify the influence of the designer and supplier on the potentiality of this utilization. The quality of the work is one thing, but the quality of its utilization is another matter. So we get to the problem where it would be necessary to separate the two influences after completion of the construction. If the work is found to be of good quality, that is, if it can meet the planned parameters, then the supplier and developer would have a stake in the percentage of reimbursement. But if the project is not able to meet the planned parameters, why then make the compensation of the supplier and designer dependent on how the users succeed or do not succeed in overcoming this handicap. The principle of merit loses out here.

In the fourth place, the authors themselves point out that the method advocated by them would require effecting a complicated and stable involvement of the design certification with enterprise accounting. This is undoubtedly an essential condition for the system suggested. But is it necessary? Involving the design certification with enterprise accounting is provided for in the current regulations on efficiency of investments, particularly those in preparation. There is no question, however, about a stable involvement. With the exception of "risky" operations, of which there should be fewer and fewer, investments will quite naturally be incorporated into already existing capital assets in the current production process. Many changes will have to be made in the production organism for these investments to be integrated efficiently in order to achieve a synergistic effect. To further record and monitor these investments independently would, of course, be possible, but there would be no point to it.

In this connection, the question arises whether this kind of motivation would even serve any purpose in the system when the formation of flexible elements of wages is mostly tied to the returns of production assets. It is surely no inadmissible simplification if we interpret the stake in production asset returns as the interest of the investor in the most efficient utilization of new capital (investment), therefore it is not necessary to designate another, practically identical indicator (and any possible objections are also objections to the percentage of reimbursement).

I would not like to leave the impression in this article that all questions which the authors of the cited article addressed are answered in the regulations in preparation. There are still a number of unsolved areas with respect to long-term involvement in meaningful capital investments. I simply wanted to point out some of the weaknesses of the proposed solutions which in my opinion sufficiently indicate their unsuitability. I considered this necessary because, at first glance, the suggestion submitted is very attractive precisely because of its "apparent intelligibility."

8491
CSO: 2400

GERMAN DEMOCRATIC REPUBLIC

CROP, WEATHER REPORT PUBLISHED FOR JANUARY 1981

East Berlin FELDWIRTSCHAFT in German Vol 22, No 3, Mar 81 p 132

[Article by Dr D. Krumbiegel, GDR Meteorological Service, Central Weather Bureau, Potsdam]

[Text] The Weather in January 1981

Daily average air temperatures mostly were around normal, but below normal from the middle of the first to the beginning of the third 10-day period. Precipitation in the first 10-day period was most abundant but in the third, considerably below the norm.

Up to the fourth, daily average temperatures were from 1 to 3 K (on the 2nd, up to 6 K) too high. A cold snap around the 7th brought in values that were too low by from 4 to 7 K (in the south, from 8 to 11 K). From the 17th to the 21st, air temperatures in the southern part of the GDR were clearly higher than in the northern. From the 25th to the end of the month these regional temperature differences reversed themselves. Initially daytime maxima still reached values around 4°C (on the 8th, locally up to 9°C). Beginning with the 5th, maxima mostly ranged around 0°C. Some nights in the first 5-day period and at the end of the month stayed free of frost even near the ground in the northern bezirks. For the rest of the time frosts occurred in the whole area that were fluctuating in strength. Strong frosts (-10 to -15°C) and very strong frosts (below -15°C) were but brief (around the 8th, the 12th in the southern part, the 22nd and 23rd, the 27th and 28, and the 29th in the southern part). There was altogether very little sunshine. A relatively high duration of sunshine was recorded in the third 5-day period in the northern bezirks and, in the last third of the month, in the southern part.

At the start of the month, precipitation came down in the form of rain and yielded high daily volumes (the second: 5 to 15 mm; the 4th: 10 to 15 mm in the northern part, 5 to 15 mm in the southern). Beginning with the middle of the first 10-day period, the precipitation was mostly snow. Daily volumes between 1 and 3 mm, partly around 5 mm, locally from 5 to 10 mm came down at the end of the first 10-day period and between the 14th and the 20th. Starting with the middle of the first 10-day period, a cohesive snow cover also formed in the plains, reaching its greatest depth around the 20th (northern part 5 to 20 cm, southern part 10 to 30 cm, mountains 30 to 200 cm). Thereafter, the depth of snow kept shrinking until the end of the month. In the northern bezirks, large areas lost all snow.

Weather Data for January 1981 according to the Chief Climatological Office, Potsdam

1. Monthly Air Temperature Averages and Deviations from Normal Values

Schwerin	-0.7°C	-0.6K	Erfurt	-2.4°C	-1.5K
Neubrandenburg	-1.3°C	-0.5K	Leipzig	-1.2°C	-0.7K
Potsdam	-1.0°C	-0.3K	Goerlitz	-2.1°C	-0.8K

2. Average Precipitation according to Bezirke

Rostock	53 mm = 121%	Halle	47 mm = 131%
Schwerin	49 mm = 104%	Erfurt	73 mm = 159%
Neubrandenburg	66 mm = 161%	Gera	59 mm = 155%
Potsdam	47 mm = 109%	Suhl	77 mm = 126%
Frankfurt	55 mm = 138%	Dresden	75 mm = 150%
Cottbus	55 mm = 131%	Leipzig	57 mm = 139%
Magdeburg	52 mm = 130%	Karl-Marx-Stadt	77 mm = 135%

Soil, Crop and Labor

Surface soil temperatures dropped in the first 5-day period and after the 5th mostly ranged between -1 and 1°C. At the 50-cm as well as 100-cm depth, the 5°C threshold was permanently crossed in general during the first 10-day period. Then the subsoil cooled off by another 1 K. At the end of the month, from 1 to 3°C were recorded at a 50-cm depth, from 2 to 4°C at a 100-cm depth. On the 5th and 6th the ground was frozen throughout the entire area. By the end of the month, frost often disappeared in the northern bezirke. Frost penetration depths at most stations ranged between 5 and 15 cm, at some, between 20 and 30 cm. The deepest frost penetrations came in the second half of the month, with the northern and central parts reaching their maxima around the 28th and the south, around the 30th. As, due to the snow cover, there were not intermittent frosts, the soil structure is not likely to have been much improved by the frost. Ground water levels kept rising in the first 5-day period. But most of the time the abundant precipitation in that period is likely to have caused seepage and nutrient shifts in the deeper soil strata and some lumping in the soils. Ground water content was widely within the field capacity range. Only in the loess areas of the bezirke of Magdeburg, Halle and Erfurt there still existed differences from field capacity by the end of the month for the stratum down to 1 meter in depth of between -30 and -50 mm. No significant changes in the ground water level occurred in the course of the second and third 10-day periods.

The mild weather of the third December 10-day period in 1980, still permitting a limited growth of the winter crop, continued on until the 4th. Thereafter there was absolute vegetative rest all the way to the month's end. It is possible that the woods' readiness for development in the southern part of the GDR got a shot in the arm from the increased sunshine in the third 10-day period. The snow cover adequately protected the winter crop from partly strong and very strong frosts. Below the snow, the soil had minimum temperatures of only between -1 and -3°C. Though the insulation capacity of the snow cover was reduced in the third 10-day period through increasing thickening and snow crust deposits, no critical values occurred (here and there, down to -6°C). These conditions were however detrimental to the gas exchange. From that no damage is to be deduced because the periods in which those effects asserted themselves were brief for the time being.

Precipitation at the beginning of the month prevented field work. The trafficability of acreages, made possible by the ground frosts, was increasingly obstructed in the second 10-day period because of the increasing depth of the snow, above all in the southern part of the CDR. In the course of the last third of the month, conditions improved again for applying organic fertilizer. That measure then had to be interrupted at the month's end because the frost disappeared in many regions in the northern bezirks. Amelioration projects and taking care of fruit trees became possible on most of the days. Aeration of storage and silos with outside air was possible only during daytime, not counting some exceptions. Especially between the 6th and 22nd, the possible aeration spans were confined to but a few hours. On 7 days within this time span, air temperature maxima were below 0°C in the entire area. In the large potato storage areas optimum temperature ranges were often exceeded by from 1 to 2 K.

Meteorological Projections for Farming in March 1981

As the frost did not penetrate very deep, we expect the soil to become free of frost fast once the snow cover has melted away. The soil should warm up faster than last year in spite of the high water content because the subsoil showed higher initial temperatures. What must generally be expected are crowding, mudding trends, a higher pressure sensitivity and reduced friability. To reduce damage in the beds, it is highly important to take into account the actual soil moisture content in strata under the stress from tractors and other equipment. As soil climatic conditions were not favorable for the nutrient mobilization in the fall of 1980 and losses through shifts may have occurred, the first nitrogen fertilizing should be undertaken as soon as vegetation starts.

5885

CSO: 2300

DISCONTENT REPORTED OVER HOUSING PROBLEMS

West Berlin DER TAGESSPIEGEL in German 8 Feb 81 p 3

[Article by Michael Mara: "The GDR Too Faces Housing Problems: Growing Discontent Among the Citizens Forces East Berlin To Revise Its Thinking"]

[Text] The so-called "occupier-restorers" [Squatters] in the West Berlin district of Kreuzberg have meanwhile received moral support from East Berlin. The East Berlin NEUE BERLINER ILLUSTRIERTE (NBI) praised the squatters' "opposition to the corruption of speculators and the bureaucracy of the Senat." The squatters' actions are "dictated by desperation but also characterized by social commitment." Because they urgently need a roof over their head and do not want their one place on earth to go to ruins, they occupied vacant houses which have been deserted by their owners. The GDR magazine considers these squatters' actions useful because these actions could "help prevent an intensification of the housing problems in West Berlin."

In reading this commentary, many GDR citizens will have had their own thoughts on this matter, because in spite of an acute housing shortage many apartments stand vacant in socialist Germany. And not much has changed so far in this situation, in spite of growing criticism by the population. The number of vacant apartments has hardly decreased according to reports in local newspapers. In Leipzig, there were more than 3,000 vacant apartments in 1980. In East Berlin, approximately 9,000 vacant apartments were reported to the authorities by the population. Of these vacant apartments 1,026 that were discovered by GDR citizens were assigned to new renters. The BERLINER ZEITUNG (East Berlin) thinks that the number could have been considerably higher if official reaction had been more flexible.

Most apartments that are vacant in the GDR are unoccupied because of building deficiencies. Since as a rule no building materials are available for restoration work, authorities are in many cases simply resigned to the fact that these apartments are vacant, and in fact in some cases have literally "forgotten" about them. The angry reaction of the population to these conditions is reflected in a flood of petitions. In 1980, about 40 percent of all petitions submitted in the East Berlin city bezirk of Friedrichshain concerned vacant apartments. In a number of cases, disappointed apartment hunters have already lost their patience: they have simply occupied vacant apartments, just as the squatters did in West Berlin.

Measures Against 'Squatters'

Of course, the GDR officially does not think very highly of this kind of "commitment" by its own citizens to decrease the housing shortage, even though GDR media expressly support the "squatters" in West Berlin.

The BERLINER ZEITUNG left no doubts that "unlawful occupation of apartments" cannot be tolerated. A number of people who have moved into apartments without authorization soon learned the meaning of this statement. In the first half year of 1980 alone, more than 60 apartments were forcefully evacuated and citations for violation of public order with their respective fines were issued.

Because these measures have not solved the problem of vacated, empty apartments, the East Berlin magistrate has issued a new directive. Accordingly, an apartment that has been offered to several apartment hunters but was rejected by them because of building deficiencies must in the future be given to those applicants who are willing to repair the apartment themselves "even if these applicants are not in line to get an apartment." In other GDR cities, there are similar directives aiming for strict rerenting of apartments that are in need of repair, and for creating additional living space, for instance by building an addition in the attic.

It is especially young people who are newly married and badly need a roof over their head who more and more frequently take a trowel into their own hands and with government permission restore dilapidated living spaces, or create new ones. The government pays them the costs of building materials and the money for a so-called "free-time brigade" which will help them restore the apartment.

Nevertheless, young restorers complain about unforeseen problems which are put in their way. To get the necessary building materials and clear bureaucratic hurdles is often as time-consuming for them as it is nerve-racking.

Impending Changes in Building Policies

Dissatisfaction among the citizens with these deplorable circumstances, a dissatisfaction that could be politically explosive, seems to have brought about gradual changes of thought among those people who are responsible for building policies in the GDR. Party and government functionaries are suddenly asking for changes. Officials of the apartment sector are asked to react more quickly to petitions by the population, and to work harder to keep living spaces in a state of continual repair so that it will not again come to the point where many thousands of apartments have to remain vacant because necessary repairs, such as on leaking roofs, have not been done.

Building policies in the GDR are at the present time turning in favor of modernizing old buildings and making them more sanitary. Because there was such a strong concentration on new apartment construction in the past, the dilapidation of old buildings was allowed to continue almost unchecked. GDR experts do not deny that the one-sided construction policies of the past have contributed to present housing problems. The number of people looking for apartments (in Dresden bezirk alone about 60,000) is not decreasing, even though about 1 million new apartments were constructed in the last decade. One reason for the continued apartment shortage is that some of the new apartments are merely replacing old buildings that are so dilapidated that they cannot be saved. In addition, the rising living standard has also raised demands for apartment comfort, and many GDR citizens no longer want to live in "shacks" without bath and toilet.

The policy of "modernizing older apartments and making them more sanitary" has also become a necessity for the GDR for economic reasons. At a time of growing economic challenges, the GDR can no longer afford to tear down entire old city blocks and replace them with modern apartment complexes, all for the purpose of so-called "socialist renewal." "We need a new attitude toward existing buildings, not least of all for the sake of the national economy, because existing apartment buildings represent, after all, a value of M180 billion," stated Karl Schmiechen, state secretary in the East Berlin building ministry, at a recent meeting.

In order to solve the building problems according to SED plans by 1990, the apartment building program must be continued "with a decisively higher effectiveness for the national economy," and in the eighties "especially vigorous progress" has to be made in the apartment modernization program. By 1985 alone, between 230,000 and 350,000 apartments are to be modernized, and in the following 5 years another half a million.

This great challenge can be met only if expenses are kept within limits. Therefore, the GDR wants to use "modern technologies and, wherever possible, the principles of industrialization" for the modernization process. Modern assembly line production methods were therefore used, for instance for repairing roofs and facades, for the drying out of buildings and the modernization of sanitary facilities.

Since it is very costly to install baths and toilets into existing old apartment houses, so-called sanitation towers are now being built on from the outside. In these towers are a bath and a toilet for each apartment. Modernizers forgo completely any "exaggerated comfort" such as provisions for adding balconies in the future.

Renters are profiting from these policies because additional costs which they have to pay after modernization are kept within limits. The state pays for the largest part of the modernization expenses, in any case, and only a small portion of the cost is added to the subsidized rent. As an example, the family of a mechanic in Erfurt used to pay M38.50 a month for a two and one-half-room apartment with outside toilet and no bath. Because the house is now being put into more sanitary condition, the family has moved into a modernized three-room apartment with bath, located not far from their old apartment. For the new apartment they will pay M56.90 in rent.

Cost Conscious Modernization

In the Schloss-Strasse in Alt-Schwerin, modernization expenses were kept even lower. The builders left the old tile ovens or replaced the ovens that were no longer serviceable. They restored the facade of the house, the roof, chimney and floors. They also added a bath and a toilet to every apartment. The family living in a modest attic apartment in this street now pays M23 in rent, instead of the former M18. In view of this small rent increase, the family has learned to live with the fact that the kitchen of this attic apartment still has no running water. Even if this is perhaps an exaggerated policy of economy, which would not suit everybody, the general policy in the GDR to modernize apartments and make them more sanitary is in the interest of the renters. In any case, people living in modernized apartments are happy.

889

CSO: 2300

SUPPLY OF CHEMICAL FERTILIZER, PLANT PROTECTIVE AGENTS AMPLE

Budapest NEPSZABADSAG in Hungarian 10 Mar 81 p 1

[Text] According to Istvan Konkoly, commercial director of AGROTRÓSZT, the quantity of chemical fertilizer and plant protective agents available this year lay the foundation for fulfillment of the crop production plan. Calculated in active ingredients, AGROTRÓSZT can market one million 450,000 tons of chemical fertilizer. There are sufficient amounts of the three major plant nutrients: nitrogen, phosphorus and potassium. There is sufficient nitrogen to complete the top dressing of winter grains now due. Stocks of calcium ammonium nitrate and ammonium nitrate together suffice for late winter and spring nourishment of winter grains. The main departure from last year is that considerably more urea will be marketed throughout the year. Provided shipments are regular, all demands for chemical fertilizer can be met.

The situation is less satisfactory where selection is concerned. While it is true that relatively more easy-to-handle phosphorus fertilizer in granule form is being prepared as compared to the powder form, demand for the former cannot be met in full this year either. A similar situation exists in the case of potassium-containing fertilizers. The demand for fertilizer containing a mix of active ingredients can be met. In addition to the traditional mixes, this year a combination consisting of 2 percent nitrogen and 18 percent of both phosphorus and potassium will go on the market. The possibility of using liquid chemical fertilizer is also on the increase.

At present, the greatest problem is that in recent years the farms have been reducing rather than increasing use of chemical fertilizer. To date, AGROTRÓSZT has received orders for 220,000 tons less fertilizer than planned. Calculated in active ingredients, this is less than actually used last year. This situation must be remedied without delay.

Supplies of plant protective agents are expected to be similar to those of last year. Virtually all types of agents in demand are in stock or on order. Consequently, the centralized distribution in effect last year will be terminated. It is true that supply of certain costly plant protectives produced in capitalist countries will be limited. However, there is an adequate supply of agents containing the appropriate ingredients and produced in socialist countries to compensate for the shortage. This applies also to herbicides, fungicides and insecticides. Miltox Special, produced in Hungary from basic material purchased in socialist countries will be marketed in place of Cuprosan SD which is of capitalist origin.

The supply of the foregoing for small growers and hobby farmers will be similar to that of last year. Commercial sources recommend replacement of certain well-known capitalist produced agents with CEMA-produced preparations which have similar effects.

SEED SHORTAGE POSES PROBLEMS THIS SPRING

Less and Poorer-Quality Seed

Warsaw GLOS PRACY in Polish 12 Feb 81 pp 1, 2

[Text] Grain seed supplies will be meager this spring. Last year's exceptionally vagarious weather made it impossible to prepare necessary amounts of sowable material.

For years each spring the Seed Exchange has made 200,000-210-000 tons of sowable material available to farmers and this amount has always been sufficient. This time only 170,000 tons of sowable spring grain was prepared. Of this amount, 100,000 tons are ready for distribution. The remainder must still be thoroughly dried, cleaned, and tested for germination power.

Not only is there less grain seed, but what there is, is of poorer quality for it was harvested under very unfavorable conditions. That is why poorer-grade seed, with lower germinating power, is being distributed this year. Yet seed requirements this spring are greater than under normal conditions. In many rural areas, in areas that were flooded, farmers do not have their own grain for seed and are counting on having it supplied to them. That is why attempts are being made to obtain grain seed from neighboring countries. Delivery of spring wheat, barley and oats from Czechoslovakia, amounting to a combined total of 5,000 tons, has already been arranged. Talks are underway with the USSR on the purchase of 20,000 tons of barley and 30,000 tons of oats. Possibly we will also purchase some sowable grain in the GDR.

But even purchases from our neighbors will not guarantee that we will have enough sowable grain. We will have to use the best grain available from the stocks of our own individual farmers. Seed Exchange departments have been authorized to take grain brought to them by farmers, dry it, clean it, and test it for germination power. Much will depend on the resourcefulness of the agricultural services in the particular gminas [rural parishes].

This is especially critical because grain from the Seed Exchange will be distributed mainly to the areas that were flooded. The remaining gminas and provinces, even though they may have ordered it, may not receive the grain they are expecting. Therefore it is best not to wait but to make other arrangements.

However, the situation with fodder crops is better. Stocks of corn, alfalfa, grasses,

fodder beets, and also sunflower, rutabaga and millet seed, are large enough and there should be no problem in obtaining them. But laurel, lupine, serradella and red clover seed are in short supply and the small stocks available will be sufficient only for contracted cultivation.

Need for Increased Imports

Warsaw CHLOPSKA DRUGA in Polish 25 Feb 81 p 10

[Article by Pawel Rucinski, Chief, Horticultural Seed Production Department, ZNRIO (Agricultural and Horticultural Seed Production Association (?)): "We Cannot Run Short of Vegetable Seed"]

[Text] After several disastrous years in horticultural seed production it has become necessary to import certain varieties of vegetable seed. Last year's crops were catastrophic, even worse than those of the potato and grain harvests. Amounts of seed from plantations that survived the winter and the spring-summer floods last year were as follows: peas, 23 percent; cucumbers, 5.5 percent; tomatoes, 12 percent; lettuce, 6 percent; beets, 21 percent; onions, 32 percent; carrots, 12 percent. Thousands of individual producers who specialize in vegetable seed production suffered tremendous losses. The loss record went to dill plantations where not even one kilogram of seed was gathered. Fortunately, the losses here were made up from stocks from 1979 harvests.

Thus despite the difficult foreign-exchange situation, it was decided that an indispensable amount of seed, equivalent to last year's supply level, would be imported. The CEMA countries, who hastened to our aid despite their own problems with seed production, deserve particular recognition. In addition to considerable deliveries from socialist countries, large imports of seed from capitalist countries, especially Holland and the FRG, were indispensable. Seed production firms operating in countries that have better climates (France, Italy, Spain, Africa), offered us seeds that were in short supply. They include peas, cucumbers, tomatoes, lettuce, red beets, onions, carrots, leeks, and varieties of cabbage for winter storage.

The problem of peas concerns only the processing industry, which must have specific varieties with different maturity dates to ensure availability of fresh peas over an extended period. For those users to whom this is not important, pea seed supplies are adequate. Imports are earmarked exclusively for the processing industry.

The relatively large reserve stocks of cucumber seed will be supplemented by importation of the EVA, Hocus and Delikates varieties from socialist countries, and a small amount of Wisconsin SMK 18 variety from the West. However, all plantations of the Polan, Smok and other hybrids were totally devastated and these will not be on the market this year. To the usual imports of cauliflower seed will be added such new varieties as: Lawyna, White Top, Kibe, Elgon, Suprimax and Primura.

Almost all the tomatoes will be imported, mostly from socialist countries. In addition to the familiar varieties, the market will have Heinz 135, Cambell 28, Druzba [Friendship], Red Cloud, Moneyma Kor and probably two varieties from the Soviet Union: Talalaghin and Gruntowy Gribowski.

Most lettuce imports will be in Krolowa Majowych [Queen of the May] and Attraction. Rather large amounts of red beets seed will be imported, mainly the familiar varieties Czerwona Kula [Red Bullet], Egipski [Egyptian] and Detroit.

Onion imports have been a difficult problem. Two-thirds of the domestic requirements had to be imported from socialist countries. The Rivato, Lucrato, Hygro and Jumbo varieties are imported for producers who have contracts for consumption onions. Zytawska and Stuttgarcza varieties are earmarked for free-market sales. Some serious problems also arose in trying to accumulate indispensable amounts of carrots. Imports are mostly Nantejska and Perfekcja [Perfection] varieties and small amounts, from the GDR, of Lange Rote Stumpfe, Ohne Herz, Karsa and Marktgartner varieties. Because of a large growth in demand for leek seed, imports were increased 50 percent. In order to fully use the domestic supplies of seed, small amounts (several percent in relation to the entire mass) of leek seed with a low germinating power have been put on the market at a reduced price. It was possible to save about two million foreign-exchange zlotys in this way.

The irresponsible decisions two years ago on "economy" cuts in paper for making bags have not caused large shortages in packaging materials, making it necessary to supply some seeds (beans, peas, corn) in bulk to retail stores. Because of so many varieties, bulk supplies are impossible in cases where 5-10 gram amounts for garden-plot users are involved.

Although basic purchases from abroad have been completed, negotiations for additional supplies of vegetable seed are continuing. All the newly introduced varieties have been test-sown in Poland in past years and their characteristics are known. As they are delivered to the market, the retail units will receive information on their principle use characteristics.

9295

CSO: 2600

POLAND

REACTIVATION OF PHARMACEUTICAL COOPERATIVES MENTIONED

Warsaw KURIER POLSKI in Polish 2 Feb 81 pp 1, 2

[Comments by pharmacists: "How to Restore the Health of the Production of Pharmaceuticals?: 600 Drugs Must Be Always Available; The Forfeited Chance for the Formation of Cooperatives"]

[Text] The arduous forays from one pharmacy to another in search of medicines and bandaging materials still continue. It is not so bad when cottonwool or lignin is not available. But it is much worse when a drug is needed by a severely ill person to whom getting the right drug rapidly is a matter of life or death.

— Comment by Ryszard Lobaszewski, director of the Central Pharmaceuticals Warehouse:

"In my judgment, the supply situation is the same as last year. Despite great efforts by the pharmaceutical industry, serious difficulties as regards imported raw materials and packagings continue. Shortages of individual drugs lie at the level of 20-25 percent. An additional problem is the excessive purchases of drugs by chronically ill persons who sometimes hoard considerable supplies, fearing future shortages of specific drugs.

The Ministry of Health and Social Welfare received for 1981 an allotment of 280 million hard-currency zlotys of which 200 million has been allocated for drugs. Are these funds enough? The opinions on this subject are divided. It should be noted, however, that the decision to earmark funds is not tantamount to the actual reception of the funds. Such a situation also arose last year. Secondly, it should be borne in mind that hospitals, clinics, and institutes have priority in receiving the supplies, with the public pharmacies coming second. Thus it can happen that temporary shortages of drugs indispensable to saving lives and treating the most frequent diseases may occur on the market."

— Comment by Bozena Bielenda, acting manager of Pharmacy No 37 in Warsaw:

"Sometimes medicaments immediately needed for a patient are not available. Consider, e.g. nitroglycerine. Specified main pharmacies exist which are supposed to have in stock a basic range of medicaments, but not everyone is aware of this, and there is not always enough time to look for them. It is difficult to avoid shortages when certain groups of merchandise are delivered just once a month."

The problem of the universal availability of specific variety of indispensable medicaments has been, among other things, the subject of discussions between a government commission headed by Deputy Minister Tadeusz Szelachowski and a delegation of public health service workers representing the Independent Self-Governing Trade Unions "Solidarity." In accordance with its pledges, the ministry has drafted a list of 600 indispensable medicaments from all principal groups that must always be available. According to the Department of Pharmacies, Ministry of Health and Social Welfare, this list has been transmitted to "Solidarity" for final verification.

Persons concerned about improving the supply of medicaments increasingly voice support for the possibility of reactivating pharmaceutical cooperatives. In 1969 every fifth medicament originated from that source, with the value of that output accounting for about 10 percent of the whole. Since then many cooperatives have been merged with large-scale industry. At present only about 15 such cooperatives still operate, and their output accounts for less than 1 percent of the total output of the pharmaceutical industry.

— Comment by Piotr Bednarek, director of the production department at the Central Union of Labor Cooperatives:

"Most of the surviving cooperatives lack buildings or bases of their own. The reestablishment of pharmaceutical cooperatives in such a situation would entail substantial investments and expenditures which we cannot afford."

This comment proves the thesis that it is easy to make mistakes, but difficult to repair them.

1386

CSO: 2600

LONG-RANGE FORECAST OF STEEL INDUSTRY RAW MATERIAL REQUIREMENTS

Warsaw HUTNIK in Polish No 11, Nov 80 pp 463-466

[Article by Prof Antoni Kolano, doctor of engineering, and Stanislaw Tuszewski, Academy of Mining and Metallurgy, Krakow]

[Text] The following forecast of the consumption and production of steel in Poland from 1980 through 1995 is based on the consideration of the type of steel-making process as well as production indexes of blast furnaces. The authors also offer their own suggestions for preventing a shortage of raw materials.

Major changes in the structure of steel-making processes are projected in forecasts of the development and modernization of the domestic metallurgical industry. The oxygen-converter process and the electrical process are being expanded, while the open-hearth process is being kept to a minimum. A permanent, substantial shortage of liquid pig iron and scrap is in the picture for the raw material balance in the domestic steel industry. Certain investment projects, as well as the intensification of the blast-furnace process, are seen to be essential to ensure a supply of liquid pig iron. The authors note the advisability of activating a process in Poland of direct reduction from ore, using a steel or gas reducing plant located in Poland itself. Sponge iron may be used in blast furnaces in addition to raw material, or it may be used directly in electric steel-making furnaces.

The forecasts of steel consumption in Poland and the development of production, taking into consideration an increase in the Katowice Works through 1995, are based on studies done in 1978 and 1979. The results are presented in table 1.

Given the levels of production and consumption reached in 1979, we must revise the production volumes for 1980 and 1985. It may be estimated at 20.2 million tons of steel for 1980, and approximately 24.0 million tons for 1985. The lowered estimate of production volume for 1980 is not the result of a lack of production capacity, but of our power difficulties, as well as our quantitative and qualitative shortage of raw material. With these problems eliminated we may expect a production capacity of 21.0 million tons of steel (optimal raw-material conditions). An improvement in raw-material conditions for blast furnaces and steel mills should free up noninvestment growth of steel production by approximately 0.8 million tons a year. In research studies implemented in 1978 and 1979 it was estimated that the shortage of raw material for steel mills would be 975,000 tons in 1985, 1.895 million tons in 1990, and 1.255 million tons in 1995.

If the supply of scrap in 1995 is insufficient, the shortage in raw material may increase to 1.5 or even 1.6 million tons, i.e., by 300,000 to 400,000 tons. A shortage of raw material for steel mills will already occur during the period from 1981 to 1985, and it will be a permanent factor throughout the long-term period. There are two courses of action which may be taken to solve this problem:

- a reduction in steel production to a level issuing from real raw material potential,

- an increase in the supply of raw material through its import, or the undertaking of attempts to solve this problem domestically.

The first course is unacceptable over the long term. This is the result of the great need of the national economy for metallurgical products, which does not allow us to limit tasks of development in the metallurgical industry. Moreover, there are possibilities for exporting metallurgical products in exchange for the raw material necessary for their production.

We must seek possibilities for securing raw material for steel mills along other routes during the forecast period, namely:

- through the import of scrap or metallized pellets,
- through intensified domestic production of pig iron at a volume higher than projected,
- through activating domestic production of metallized pellets as a product of the process of direct reduction.

Although the import of scrap or metallized pellets is the simplest solution, it is extremely costly. In light of the high transaction costs, the annual import of scrap and pellets in the amount of 1 to 2 million tons is unacceptable, since it would disrupt the equilibrium of the foreign trade balance.

The expansion of domestic pig iron production to step up steel production is reasonable mainly in mills in which liquid pig iron can be used directly in steel-making units in order to increase their productivity. Thus, it is fully justifiable that, in addition to constructing a third blast furnace in the Katowice Works, we ought to build a new blast furnace or enlarge the existing blast furnaces No 1 and No 2 in the Lenin Works and intensify raw material production at the Kosciuszko Works, the Bobrek Works and the Pokoj Works, thus maximizing the share of such production in the raw material of the mill. The production of pig iron can be stepped up in various ways. For example, it is possible to drop the production of ferromanganese in blast furnaces, to increase the richness of the blast-furnace raw-material charge, or to use metallized pellets to charge blast furnaces; beyond this, the blast-furnace process should be completely automated. It is recognized that the most progressive and multilateral solution would be to activate the process of direct reduction within Poland. Metallized pellets would be excellent raw material for electric-furnace steel mills and blast furnaces alike, increasing pig iron production in a fundamental way. A direct reduction plant with a production capacity of 1.5 to 2 million tons of scrap annually would eliminate the shortage of scrap and pig iron for steel-making processes in Poland. Moreover, it

would create conditions of great flexibility, as well as the potential for the optimal raw-material management of steel mills.

The construction of a direct reduction plant is particularly interesting from the viewpoint of the ready accessibility of complex, low-siliceous ores from the Suwały region. In the present article we offer a concept for the modernization of the Polish metallurgical industry with the use of direct reduction, for the purpose of making up for the shortage of raw material for steel mills.

The Polish metallurgical industry in the 1980's will still be an industry with a wide differentiation of levels of technology and with considerable structural disproportions. The differences in the technological state affect all departments. The structural disproportions, on the other hand, are the result of the concentration of investment outlays in raw-material departments alongside the limited expansion of processing departments.

The limitation of the general sum of investment outlays and the necessity to continue the construction of the Katowice Works are made impossible by the actions undertaken to implement a series of investments for improving the production structure of the Polish metallurgical industry. This relates primarily to tube mills and pipe mills, cold-roll strip mills, bar mills, a plant for the production of stainless and heat-resistant steel, generator sheet metal mills and the expansion of the Stalowa Wola Works. Moreover, the metallurgical industry is not implementing investments indispensable to it, among which the most urgent are the following: the construction of a new ferro-alloy mill and a new metallurgical rolls department, the expansion of refractory materials plants, as well as electrodes for electric furnaces. The unfavorable production structure of our metallurgical industry is expressed in the import-export ratio of turnovers in metallurgical products with countries of the second payments area. The average per unit price for import is approximately 3-fold the export price of our metallurgical products. The trends in this direction continue to be unfavorable.

The problem looming before the metallurgical industry in the 1980's is the comprehensive modernization of old metallurgical plants, especially since our previous modernization efforts have brought about a series of favorable results in certain mills, as e.g.: Baildon, Batory, and Florian. There is currently a basic problem concerning the ultimate make-up of the metallurgical complex of the Silesian district. The scientific-technological criteria must be set up and a model specifying the ultimate view of the modernized structure of Polish metallurgy must be created. Investment tasks for the particular plants should then issue from this model. The modernization model should also include the Lenin Works and the B. Bierut Works. The first phase of efforts should be to establish criteria for the concept of the ultimate development of the structure in the raw-material section, especially since blast furnaces in Poland operate under a wide range of conditions both with regard to raw material (varying richness of raw material) and in the area of the intervening parameters of the process. Several fundamental indexes illustrate the actual state (table 2). Thus it seems appropriate to consider the version of activating direct reduction as part of the process of modernizing the raw-material section of the metallurgical industry. We must be aware of the necessity of making up for the shortage of 1.5 to 2 million tons of raw

material for steel mills, taking into account the structure of the following processes: the converter process, the open-hearth process and the electrical processes are expanding. This demands a considerable increase in pig iron production in order to guarantee a liquid raw-material charge for the converter process and the consistent quality of raw material for the electrical process.

Table 1

Forecast for Steel Consumption and Production in Poland from 1980 to 1995

Years	1980	1985	1990	1995
Steel consumption per million tons	21.0	24.5	27.7	30.6
Steel production per million tons:				
--open hearth	8.5	8.4	7.4	4.5
--converter	8.1	12.3	13.4	18.7
--electric-furnace	3.1	3.5	5.9	6.5
--tandem-furnace	1.3	1.3	1.3	1.3
Total steel production per million tons	21.0	25.5	28.0	31.0

Table 2

Several Production Indexes of Blast Furnaces

Mill	Utilization of the usable blast- furnace volume	coke consumption	Richness of raw- material charge	Cinder consumption
	cubic meters per ton of pig iron	kilograms per ton of pig iron	percentage of iron	kilograms per ton of pig iron
Pokoj	0.856	723	42.14	—
Kosciuszko	0.863	718	44.80	1203
Bobrek	1.023	756	44.95	1630
Bierut	0.766	623	48.20	1797
Katowice	0.601	539	50.23	1705
Lenin	0.532	553	52.71	1565

Structure of Steel Production from 1980 to 1995

Table 3

Type of steel-making process or furnace	Share in shortage of raw-material charge-- percentage	
	1980	1995
Open-hearth process	40.5	14.3
Converter process	38.5	60.5
Electrical process	14.8	21.0
Tandem furnaces	6.2	4.2
Together:	100.0	100.0

The shortage of raw material for steel mills, which amounts to about 2 million tons annually, is linked to specific mills. At the Lenin Works, undertakings to eliminate the shortage of liquid pig iron, which is estimated at 1 million tons, are indispensable. The additional million tons would enable an increase in steel production and would eliminate the necessity for deliveries of foreign raw materials.

When the second stage is set in motion at the Katowice Works, it will attain a production capacity annually in its hot mills of approximately 6.5 million tons (with 2 million tons for its merchant mills and 4.5 million tons for its sheet mills). For the attainment of their production capacity, the cogging mill and continuous steel casting operations will require approximately 8.5 million tons of steel. This amount of steel requires 7.4 million tons of liquid pig iron annually. The three blast furnaces have a production capacity of 6.6 million tons: consequently, there will be a shortage of approximately 0.8 million tons of liquid pig iron, and this must be obtained by means of the stepping up of the blast-furnace process.

The Silesian open-hearth mills, which now operate on liquid pig iron, should not shift to solid pig iron, since this would reduce the productivity of the open-hearth furnaces and of steel production. This being the case, the blast furnaces of the Kosciuszko, the Bobrek and the Pokoj Mills should be stepped up in various ways.

The electric-furnace steel mills of the Zawiercie, the Nowotko, the Warszawa, the Stalowa Wola, the Baildon and the Batory Works should procure high-quality raw material in amounts guaranteeing the utilization of their full production capacities.

A universal solution for updating the raw-material problems would be the construction of a direct reduction plant in Poland. The selection of the type of process

should be dictated by the assortment of reducers available in Poland. The use of sponge iron solves the raw-material problem for steel mills in two ways:

--as an additive to the raw material of electric furnaces in the amount of 30 percent. This eliminates the shortage of scrap and improves the usable qualities of raw material with regard to their purity and their use in the production of special steels;

--as a component of the raw material in blast furnaces, increasing their productivity.

An analysis of the economic effects of the construction of a new blast furnace at the Lenin Works should be done. This should be compared with the construction of a direct reduction department, which would enable the five existing blast furnaces to yield an additional 1 million tons of pig iron. Such an analysis is projected as part of the scientific-research work of the Institute for the Developmental Prospects of the Metallurgical Industry of the Academy of Mining and Metallurgy [AGH] Metallurgy Institute for the year 1980.

The possibility of having the proper raw materials at our disposal means there is a good chance that the process of direct reduction will be introduced. New credit agreements concerning deliveries of ferrous raw materials from the USSR refer exclusively to pellets. As a result of the implementation of the agreements we will have at our disposal 5.3 million tons of pellets annually. A portion of these pellets earmarked for blast furnaces could be subjected to the direct reduction process.

Brazilian ores, which we will continue to import, can also serve as raw material for the direct reduction process (which will supply metallized pellets for electric-furnace steel mills. Stoking coal or gas from newly built batteries of coke ovens can serve as a power base. An analysis of the problem of eliminating the shortage of raw material for steel mills over the long-term period leads to the following conclusions:

--The permanent shortage of raw material for steel mills from 1980 to 1995 affects both liquid pig iron and scrap.

--The lack of liquid pig iron limits the production of steel at the Lenin Works and makes necessary deliveries of ingots from without.

--One way of resolving the problem of the shortage of liquid pig iron in the metallurgical industry is to construct new blast furnaces; another is to step up the process of pig iron production.

--The most economical way to step up the blast-furnace process is to use sponge iron as raw material. Industrial tests in many countries (Japan, the United States, Mexico and the FRG) show that this makes possible an increase in the production of pig iron by up to 25 percent, with a reduction in the consumption of coke of up to 30 percent.

--The process of direct reduction ensures a high-quality raw-material charge for electric-furnace steel mills. The share of sponge iron in the raw material of electric furnaces in the amount of 30 percent allows the smelting time to be shortened.

--That process should be selected which is suited to our domestic conditions, i.e., the process that uses stoking coal, brown coal or coke-oven gas as a reducing agent.

--The process of direct reduction should be studied in detail from the viewpoint of its usefulness in the process of modernizing the metallurgical industry, the savings in investment means, the balance of coke and coking coal as well as the tasks awaiting the metallurgical industry in the area of the structural changes of production.

[Editorial Comment] We consider the foregoing article to be a controversial expression of the opinion of the authors within the present situation of the development of the ferrous metals industry in the Polish People's Republic. The solutions proposed by the authors are somewhat outdated and represent one of the alternatives examined.

Bearing in mind, however, the positive evaluation of the situation in the ferrous metals industry conducted the authors, and the need for a multifaceted, thoroughgoing analysis of the directions of the development of the Polish ferrous metals industry, we look forward to further statements and discussion concerning this issue.

8536
CSO: 2600

JOINT INVESTMENTS IN UNDERDEVELOPED REPUBLICS, KOSOVO

Belgrade BORBA in Serbo-Croatian 14 Feb 81 p 1

[Text] By 1985, the Federation Fund will have about 227,855,000,000 dinars, of which one-half is intended for pooling labor and capital on income from projects of mutual interest. Last year eight agreements on such association were signed, while in the preceding 3 years, only 3 had been signed.

Belgrade, 13 February, TANJUG. About 227,855,000,000 dinars are needed for the more rapid development of the economically underdeveloped republics and Kosovo. Of this sum about one-half (113,922,000,000 dinars) are earmarked for the pooling of labor and capital based on income and in the mutual interest.

In republic and province economic chambers, programs and projects for pooling labor and capital between labor organizations from developed and underdeveloped regions are being established at an increased pace. The interest in joint investments is ever greater, as confirmed by data showing growing requests from the less developed regions for installations that might be jointly constructed. More precise facts will be learned soon, when the republic and province intermediate plans for development are approved. This point was brought out at a meeting of the Yugoslav Economic Chamber held 13 February and devoted to speeding joint investments.

In the meantime, for example, textile producers of Kosovo and Slovenia are discussing the possibilities of joint investments. By the middle of March the Slovenian Economic Chamber is to complete discussions on this topic with the chambers of all the underdeveloped republics and Kosovo. A similar situation is found in Bosnia and Hercegovina, where progress continues in reaching agreements with the Slovenian and Croatian economic chambers.

These efforts continue the self-management connections being developed between labor collectives of the economically developed and organizations of the underdeveloped republics and with Kosovo, which began last year when 8 self-management agreements to pool labor and capital were signed, and some 60 initiatives for this type of cooperation were begun. Last year a significant stride forward was made in comparison to the previous 4 years, when only 3 agreements were signed based on resources of the Federation Fund for the More

Rapid Development of the Underdeveloped Regions (between Lek of Ljubljana and Parnakos of Priaren, Galenika of Zemun and Saniteks of Cetinje, and RIS of Zagreb and Gradacac of the town of that name in Bosnia and Hercegovina). Last year agreements were signed by Termika of Ljubljana and Termika of Pristina, Slovin of Ljubljana and Agrokosovo of Pristina, Marjan of Split and Glamočanka of Glamoč, Dalmacija-Cement of Split and Natron of Maglaj, the Servo Mihalj industrial agricultural complex of Zrenjanin and Boka of Kotor, Primorje of Ajdovscina and Radnik of Srebrenica, Gosa of Smederevska Planka and Kupa-trans of Bosanska Krupa, and finally Razvitak of Metkovic and Gradacac-plet of Gradacac. More such examples are anticipated, but the Fund has not received the proper documentation, which incidentally often arrives unjustifiably late.

Further contributions to the more rapid development of pooling of labor and capital, not only based on the anticipated 50 percent of the Fund but also using other resources, should come from the agreements on the most rapid development of Kosovo by 1985 and on the pooling of labor and capital that are to be approved in the first half of this year.

12,131

CSO: 2800/175

SMALL-SCALE INDUSTRIAL PROJECTS IN KOSOVO

Pristina JEDINSTVO in Serbo-Croatian 9 Feb 81 p 7

[Article by V. Cikanovic]

[Text] It is certainly unnecessary to point out the significance of small-scale economy in the overall socio-economic development of a region as well as more broadly, because this has already been proven in practice. Indeed, its development in the Province of Kosovo during the previous period did not proceed at the expected pace nor was it in accordance with the place this Province occupies in socio-economic development as a whole. The reason for this lies mainly in the essence of the mode in which small-scale economy should be developed. Lately, however, due primarily to the increased involvement of all social elements, significant steps have been taken toward the development of this economic sphere. Thus, recently, the Coordinating Board for the Development and Advancement of Small-Scale Economy, at the Economic Chamber of the Kosovo, adopted the improvements of ideas and programs for the construction and expansion of facilities submitted by organizations of associated labor and the commune assembly.

Among others, the construction work organization "Trajko Peric" of Kosovska Kamenica designed a program for building a construction crafts facility to carry out finishing construction work in the building industry. This facility would provide employment for 210 workers, while investment resources for its construction would amount to 2.7 million dinars.

The construction of a facility for the manufacturing of manual transmission fork-lift trucks which would manipulate loads of up to half a ton should soon begin in Orahevac. This facility would employ about 100 workers, with a total investment amounting to 3.5 million dinars.

In the same commune there are plans to build a facility for the manufacturing of cleaning equipment for industrial parts in many industrial branches, services, and other economic activities. It is important to mention that at present this type of equipment is not manufactured in Yugoslavia, and while its production will be based strictly on domestic equipment and raw materials. Investment resources would amount to 5 million dinars, while, according to the projections, the initial phase of the project would provide employment for about 70 workers.

The organization for housing and utility construction and services "Univerzal" of Prizren proposed a program for the production and sale of plants and seeding

materials. The construction and equipment of this facility would require an investment of 3.9 million dinars, and it is expected to employ over 150 workers.

In Kosovska Mitrovica they are anticipating the establishment of a contracting organization of associated labor initiated by two returned emigrant workers from temporary employment abroad who will participate in its financing with a share of the resources. This contracting organization of associated labor will engage in the performance of finishing construction-craft work.

The newly established contracting organization of associated labor "Zupa" of Prizren proposed a program for the manufacturing of elements used in finishing construction work and decoration in the building industry. It is most probable that the construction of this facility will begin soon. Required investment will amount to 1.6 million dinars, with the facility providing employment for 87 workers.

In Istocka komunu they are anticipating the establishment of a smaller contracting organization of associated labor with resources pooled by returned emigrant workers. Initially, this facility would employ about 15 workers, while its activity will be the repair of construction installations.

8989

CSO: 2800

YUGOSLAVIA

PENSIONERS IN THE SFRY, SERBIA PROPER LISTED

Belgrade KOMUNA in Serbo-Croatian No 11, Nov 80 p 31

[Text] Pensioners in SFRY

<u>Year</u>	<u>1959</u>	<u>1969</u>	<u>1979</u>	Base index (1959=100%)	
				<u>1969</u>	<u>1979</u>
Number of employed who are insured	3,217,503	4,381,636	6,157,625*	136.2%	191.4%
Pensioner users					
- Disability pensions	207,087	411,901	533,800	198.9%	257.8%
- Old-age pensions	156,778	408,714	577,478	260.7%	368.3%
- Family pensions [widows, orphans, etc.]	167,087	272,000	429,405	162.7%	256.8%
<u>Total</u>	<u>531,082</u>	<u>1,092,615</u>	<u>1,540,683</u>	<u>205.7%</u>	<u>290.1%</u>

* Since 1977 according to the new uniform classification of activities

Pensioners in Serbia Proper

<u>Year</u>	<u>1959</u>	<u>1969</u>	<u>1979</u>	Base index (1959=100%)	
				<u>1969</u>	<u>1979</u>
Number of employed who are insured	778,224	1,130,703	1,625,162	145.3%	208.8%
Pensioner users					
- Disability pensions	47,542	89,165	125,045	187.5%	263.0%
- Old-age pensions	30,809	91,629	135,754	297.4%	440.6%
- Family pensions [widows, orphans, etc.]	37,563	58,624	91,699	156.1%	244.1%
<u>Total</u>	<u>115,914</u>	<u>240,015</u>	<u>352,498</u>	<u>207.1%</u>	<u>304.1%</u>

CSO: 2800

STATUS, PROBLEMS OF SMALL-SCALE BUSINESS DEVELOPMENT

Belgrade VESNIK INVESTBANKA in Serbo-Croatian No 286, Oct-Nov 80 pp 26-34

[Article* by Dr Mirko Dokic, professor: "Certain Current Problems of Small Business"]

[Text] 1. Statement of the Problem

In spite of the clear stands and commitments expressed over the last 10 years or so in the SFRY Constitution, decisions of the 10th and 11th LCY congresses, and documents of the SAWP and Federation of Yugoslav Trade Unions, there is still resistance, reserve and even incomprehension in certain quarters concerning development of small business (small-scale industry, contract organizations of associated labor, craft and trade cooperatives and self-employment). And then "in certain quarters it is felt that self-employment is socially harmful and unnecessary and the sole area of economic activity which facilitates deformation and unjustified enrichment. In such quarters the objective conditions are not created for development of self-employment as a precondition for its transformation into associated labor."¹

At the same time there is an ever greater need to develop the socialized and private sectors of small business as a consequence of the operation of the following factors:

- i. the growth of large-scale industrial production makes it indispensable that certain parts and products be manufactured in small series or single units, a function which small business can be involved in very effectively;
- ii. the rise of the standard of living also poses for its part new requirements with respect to offering greater assortment on the market, including products with special features;
- iii. the ever greater need for servicing, especially in the motor vehicle sector, household appliances, radio and television equipment, as well as agricultural machines;

* Based on the study "Small Business Development in Yugoslavia," by Dr M. Dokic and professor Dj. Josipovic, Institute of Economic Sciences, Belgrade, February 1980.

iv. the rise in the standard of living, especially in rural areas, is posing ever greater requirements with respect to the technical adequacy of dwellings (construction, equipment, wiring, plumbing, heating, etc.);

v. there is an especially large market for building, equipping and maintaining vacation cottages;

vi. the sizable number of unemployed, especially young people seeking jobs immediately after finishing school;

vii. the return of workers from temporary employment abroad, etc.

To all this we should add the irrefutable fact of the experience of the advanced countries with a market economy, which on attaining a level of per capita national income of about [\$]2,000 considerably expanded the scale and assortment of capacities of small business, and our country finds itself precisely in that phase. It is therefore expected that the development of small business in the coming period will show a faster growth (by about 1 percentage point) than the overall development of the economy. Another important impetus in this direction is the recent enactment of the Social Compact on Development of Small Business for the entire country. In the current plan, incidentally, the development of small business is lagging.²

The development of small business should be a lasting orientation on our part, and should not be motivated by any short-term or partial interest. Only under such conditions can we expect stable development of the socialized and private sectors of small business and also of their manufacturing and service sectors.

Those who wish to engage in the activities of small business must see a future in it, security and stability, otherwise it will continue to be a temporary orientation, one that is taken up when there is a boom on the market to amass money in a short time, and then the move is made to some other activity, or employment is sought in the socialized sector. It also presupposes establishing order in the area of moonlighting by people who have jobs in the socialized sector, since today there is a boom of unlicensed work by a large number of people who are not only realizing fair-sized earnings without taxation, but are thereby offering disloyal competition to craftsmen and tradesmen who are meeting their obligations regularly, but even to the very work organizations in which they are employed. This is one of the most significant reasons why owners of craft and trade establishments are not employing permanent help for which they must pay social security and meet other obligations.

At the same time this is impeding and discouraging development of the capacities of the socialized sector of small business, in servicing activity particularly. In some quarters employment in the socialized sector is indeed regarded as the supplemental income, and the principal earnings come from moonlighting, which gives rise to numerous adverse implications (loss of job motivation, fatigue, high percentage of sick leave and absences, pilfering of materials and parts, cases of bribery, etc.).

2. Problem of the Development of Organization and Associations in the Individual Activities of Small Business

The modern organization of production can be effectively realized through business ties, especially in the case of small-sized production units. Business ties bring about better division of labor and specialization, which is one of the conditions for raising labor productivity and reducing costs of production and services.

The pattern of small business can be seen in the fact that it consists of a large number of small organizations: not only shops in the private sector, but also establishments of organizations of associated labor. That is why establishment of business ties in this sector is complicated and involves a sizable number of contingent factors. Analyses made to date show that the process of establishing business ties in small business has been developing slowly, especially in the crafts and trades. The advantages attained in the concentration of operating facilities and their better utilization, as well as in the concentration of working capital, and the possibility of larger investments to modernize facilities and operations, to modernize services and also to strengthen plant and equipment, have not been thoroughly and specifically studied, and without this kind of practical examination of the advantages, constructive results in the pooling of capital and labor cannot be realized.

2.1. Small-Scale Industry

As for the manufacturing portion of the socialized sector of small business, we adopt the conventional term "small-scale industry." Its development is dependent upon the overall development of industry in general, and of the manufacturing industry in particular, and upon the ever more pronounced process of specialization and division of labor, under whose conditions there is quite a bit of room for small-scale industry, which will account for the production of products in small series or individual parts, or single-unit products (custom orders), in which the existing industry has no interest. Given this makeup of small business [establishments] should in the coming period pursue the following production orientation, which is characterized by complementarity with industrial enterprises in general and with the manufacturing industry in particular:

- i. an endeavor to conclude long-term arrangements and establish business-technical collaboration of manufacturing organizations in the small-business sector with industry in the production of parts and the finishing or partial machining of parts, especially in the case of production of particular articles by installing or assembling individual finished parts (the electrical products industry and the metal manufacturing industry, and the like),
- ii. small-series production of individual articles whose assortment is steadily expanding when industry is not economically motivated in their production,
- iii. production of standard products; this especially refers to specific products which as a rule require a high level of knowledge, resourcefulness and skill,
- iv. as the standard of living and the level of social amenities increase, there is greater demand for products of particular quality, purpose and even design, which

industry cannot flourish, but which the manufacturing organizations in small business can organize effectively, and in this connection we should also mention custom manufacturing (original items and the like),

v. production for export, especially the production of souvenirs (souvenirs intended not only for Yugoslav tourists, but for foreign tourists as well),

vi. creation and smooth operation of small production units which can have a considerable impact in reducing imports of a number of products we are importing today, such as clothing accessories and garments, miscellaneous products of metal, wood, plastic, fabric and leather (natural and artificial), miscellaneous products intended for children and the household.

In connection with the preparations of the social plan for social development covering the period 1981-1985 emphasis is being put on the significance of developing small business in the framework of the entire economy. In Serbia, for example, the Report on the Condition and Development Problems of Small Business of the Fourth Assembly of the Socialist Republic of Serbia³ states under Point 2 of its package program:

"In view of the technological and engineering level and degree of social division of labor that has been achieved, it is in the immediate interest of large work organizations and of manufacturing and commercial complexes to create broader room in their development programs for more intensive development of the capacities of small business, for development of industrial cooperation and other forms of business collaboration, which is especially important from the standpoint of rounding out the economic structure of the republic, more rapid engineering and technological progress, the rise of labor productivity and improvement of essential characteristics of economy of labor and capital, faster growth of employment and more stable social development of the republic. It is therefore especially important during preparation of the Social Plan of SR [Socialist Republic] Serbia for the Period 1981-1985 that at all levels where development decisions are made an organized approach be taken to investigating the potential for development, above all from the standpoint of rounding out production programs and modernization of production processes in larger organizations of associated labor. The principal direction in development should be relinquishing intermediate production operations, sloughing off parts of production processes, small batches and lots, and the like, so as to ensure firmer ties and unity of interest between larger work organizations and the activities of small business and to create space for more rapid and fuller development in this sector."

As for small-scale industry, there is a need to emphasize that there must be a change in the deep-rooted conceptions and practice which base development all but exclusively on large work organizations, when the experience of the advanced countries with a market economy demonstrates the opposite. For example, in West Germany, one of the most industrially advanced countries in the world, small business is very highly developed and employs a work force of 4 million and has revenues of 700 billion marks, which puts small business immediately after the industrial sector.

NIN⁶ also recently pointed to the example of West Germany, where most firms in the garment industry employ between 10 and 15 workers, and only 4 clothing firms employ a work force of more than 1,000. Much the same is true in France, Italy and Sweden, whereas 66 percent of our clothing firms employ more than 500 workers, and 25 of them employ more than 1,000. It is then no wonder that Yugoslavia meet their needs on a large scale in Italy and other countries where they have a broader assortment and prices are better, and at the same time they can get what is in fashion. Under our conditions large enterprises are a synonym for a large and expensive administration, and that makes production more expensive.

It is self-evident that this conventional term "small-scale industry" also embraces our present organizations of associated labor in various crafts and trades, and in this connection we should particularly emphasize the need to strengthen servicing. At this point we would like to particularly emphasize that it is indispensable in every commune to have at least one organization of associated labor in servicing activity to service and repair motor vehicles and farm machines, as well as household appliances, radios and television sets.

According to figures of the Social Accounting Service,⁵ OOUR's [basic organization of associated labor] in small business (with no more than 125 employees) are doing a better business than OOUR's with more than 125 employees, since they employ 8 percent less fixed capital per employee than the average for the economy, while they realize 11 percent more income per employee and 20 percent more income per unit of fixed capital, while in OOUR's with more than 125 employees these indicators are at the average level for the entire economy. At the same time, according to figures in the SGLJ [Yugoslav Statistical Yearbook], because small-scale industry has not been developed, our country is importing sizable amounts of products whose production could be organized very effectively and simply: opening up new jobs, often using waste materials from large organizations of associated labor, and reducing outlays of foreign exchange to import these products (14,168 tons of these products were imported in 1975, and their value was 1,181 million dinars or \$56 million).

2.2. Contract Organizations of Associated Labor

In our context this is a very convenient form for transforming private ownership of capital into socialized assets, since once they are established, their business operation is subject to the regulations that apply to other work organizations in the socialized sector, including the system of self-management. The owner of the capital invests his capital and manages the work organization, receiving remuneration for his supervision, and the capital he has invested is returned to him according to the income realized. There is no danger that development will strike out in an undesirable direction, and the potential is large not only with respect to increased employment, but also with respect to more varied offerings and filling many gaps that now exist in the production of certain articles which are scarce and even imported. That is why we must eliminate certain doubts which still remain and overcome the vacillation and slowness in establishing them, thereby making it possible for this form of the pooling of labor and capital to become stronger and to progress and eliminating obstacles such as restrictions on their importation of equipment. Opština agencies should encourage the establishment of these work organizations and extend aid to them in the operation of their business.

2.3. Handicrafts

Handicrafts offer important opportunities as a very convenient form of supplemental economic activity, and its socioeconomic significance is manifested in the sizable potential for employment of the unemployed, for increasing the national income and personal income, for utilization of local raw materials and industrial waste, for supplying the market various consumer goods and souvenirs, for rounding out the assortment offered to tourists, and the potential is also considerable for exporting the products of handicrafts, and this would also diminish the pressure on the cities. In SR Serbia, for example, there are about 25 organizations of associated labor which on their own or as subsidiaries of work organizations in other sectors organize manufacturing, services and sale of various handicrafts and involve in their operation to a greater or lesser extent about 30,000 persons in various forms of co-operative and business relations. Another particular feature is that investments in development of this activity are small, since production is mainly organized at home, and there is no need to build production buildings or even to purchase equipment. But in spite of all these advantages of handicrafts, which also have a certain tradition with us, especially in certain regions, this activity has still not been given appropriate treatment in economic plans. That is why work organizations engaging in this activity are poorly organized, their rate of capital formation is low, and they are also burdened with large obligations they must meet from their income, and the purchase prices do not offer sufficient incentive.

2.4. Collection and Use of Waste and the Preparation of Secondary Raw Materials

The problems of small business are closely related to organizations which collect waste and prepare secondary raw materials. There are numerous problems in our country, such as the following:

- i. underutilization of waste in industrial production,
- ii. lack of organized collection and especially use of municipal waste,
- iii. excessively large importation of secondary raw materials, which involves sizable outlays of foreign exchange, and the export of these materials should also be brought in line with the needs of our economy,
- iv. adverse consequences to environmental protection of the lack of organized collection.

Throughout this entire area there is an evident slackness in the organization of this entire activity (fragmentation, lack of correlation and coordination), an underdeveloped purchasing network, failure to regulate the status of private entrepreneurs, unresolved problems of space and the particularly sizable gap in technology for recycling raw materials and for their use to meet various production needs. The strong process of our country's industrialization over the last 15 years, the development of foreign trade and especially the development of domestic and international tourism, and the very pronounced process of motorization, along with large changes in the way of life and the composition of the population and the pronounced process of urbanization have brought a number of problems related to the need to protect the environment.

The problems of environmental protection are closely bound up with organization of the collection of waste and the preparation of secondary raw materials, and small business should by its nature have an important role in the entire domain of collecting waste and preparing secondary raw materials, since the economic units which should be engaged in these efforts belong to small business by their very character. That is why the agencies of local communities bear great responsibility, especially in major cities, to approach this entire problem area with more attention, more knowledge and a higher level of organization. This problem area also deserves far greater attention at all levels, all the way up to the Federation.

Activity in this domain is manifested essentially in two basic directions [original reads "products"]:

- a) preventive measures,
- b) cleanup measures.

At this point we would like to especially emphasize the importance of preventive measures, which can be undertaken in the following ways:

- a) by enactment of regulations on mandatory behavior of civil juridical and natural persons in this activity, which is so important and complicated,
- b) through social compacts and self-management accords, accompanied as well by greater commitment on the part of associated labor to solving these problems (economic chambers),
- c) by establishing certain norms, allowances, standards and usages governing the production, packaging, return of containers, trade, etc., which could help considerably to reduce costs in the economy and in society, to diminish unnecessary imports and to protect the environment
- d) through activity of sociopolitical organizations and other agencies and organizations (press, radio, television and periodicals),
- e) by equipping our industry to manufacture equipment and devices that would be relevant to the collection and processing of waste,
- f) by bolstering specialized plants for solving these problems and by training appropriate personnel where there is now a shortage,
- g) by granting exemptions to work organizations engaged in this activity and by solving their space problems and helping them to update their equipment,
- h) by regulating the status of private individuals who want to engage in this activity and by bringing their work into conformity with the activity of local communities, which are to assume the entire concern of solving the problem of collecting waste and its further utilization, etc.

The economic significance of collecting waste and preparing it for subsequent use can be seen from the figures for 1976, when about 1 billion dinars (\$50 million)

worth of this material was imported, and only 379 million dinars worth were exported, though the imports could have been considerably smaller, about 50 percent, not only by virtue of reducing imports, but also through better organization of collection. In 1978 87,300 tons of scrap paper alone were imported, and about 100 million dinars (about \$5 million) were paid, most of which could be avoided.

2.5. Organization and Formation of Associations of Self-Employed Persons

In the discussion up to this point we have talked in detail about the various measures and forms of stimulating small business as a whole and thereby of measures which should contribute to faster development of the private sector of small business within the framework of the development of our economy and the steady rise in the standard of living and the level of social amenities; and in this we have been referring to the following activities:

1. Crafts and trades which can be classified in three subgroups, as follows:
 - a) craft and trade shops in manufacturing,
 - b) craft and trade shops doing servicing and repairs,
 - c) craft and trade shops which offer a variety of services to the public,
2. Hostelry and tourist services,
3. Transport,
4. Commerce.

It is well known that self-employment is now restricted to employing a maximum of five permanently employed workers. It is also a fact that most owners of private establishments are not exercising this right and that for a great number of years the number of persons employed permanently in these shops has ranged between 80,000 and 100,000 in our country, which means that there is only about 0.7 worker per registered establishment. Accordingly, present legal regulations governing the limit on employment of manpower by private employers provide an adequate framework for the unhampered operation and development of this sector, since the legal opportunities have by no means been utilized. It is a fact that if just one worker were hired in the average registered establishment, another 35,700 workers would be employed in this sector, which certainly is not to be underestimated. And the hiring of an average of two workers per registered establishment would open up 169,400 new jobs, which under certain conditions could certainly be achieved by the end of 1985, without public investment.

The free practice of crafts and trades on the basis of self-employment does not mean that the persons engaging in this activity, as self-employed persons, should not be organized and brought into an association. Under present conditions level of organization is low and the forms of association underdeveloped, but some experience has already been gained. In SR Slovenia, for example, associations of craftsmen and tradesmen have been formed and constitute an important factor in resolving the problems of this activity. These associations concern themselves with

the matters of organizing production and not just with acting as intermediaries in buying and selling between the socialized and private sectors, as is the practice in other areas where such associations exist. In SR Serbia there is a credit and savings cooperative which furnishes credit financing to its members from resources represented by savings balances and from other sources.

Better organization and the formation of associations might also be of importance in the purchasing of raw materials and intermediate products, in the training and preparation and specialized education of personnel, in the drawing up of programs, in the dissemination of know-how, in the nurturing of good business practices, etc., not to mention that it would guarantee better communication and understanding with the agencies of sociopolitical communities and other agencies involving the various problems of business operation and development. These associations would collaborate especially closely with the basic economic chambers and their general associations for small business, but in future one should not exclude even the possibility of establishing separate chambers that would embrace these activities.

2.5.1. Small Business and the Private Sector of Agriculture

The entire private sector of agricultural production is an integral part of small business in the broader sense. This is that small holding which is limited in our context. Yet it is difficult to accept even provisionally the term "small-scale agriculture," as we have done in the case of industry, for the simple fact that the small holding is the predominant form of agricultural production, since more than 85 percent of the arable land is in private hands. The character of this activity as an aspect of small business is also expressed through the operation of the following factors:

i. that not only the production of basic farm products and the raising of livestock, but also their processing takes place on the small holding, and this processing assumes the form and content of a separate craft and trade, though the principal production on the small holding is also a craft in and of itself which should not be underestimated. We are referring here to the drying of plums, to the distilling of brandy, to the making of wine, to the production of dairy products, honey, dried and smoked meats and other products intended not only for consumption within the household, but for the market as well,

ii. that a certain number of crafts related to agricultural production itself and to rural life have always been performed and will in future be performed on the small holding, since the private agricultural producer is compelled to master certain knowledge and skills in order to be able to effectively perform his principal activity (rural crafts such as making simple articles of wood for the household, weaving, the making of leather articles, the grafting of fruit trees and grape vines, and so on), since often the farmer is left to his own devices, especially in remote settlements where there are no roads, as well as during the wintertime in sparsely settled mountain areas,

iii. that handicrafts are also developed in rural areas, and these again presuppose numerous skills and abilities which actually represent definite crafts (miscellaneous articles of wood, wicker, leather, wool, hemp, etc., intended not only

for internal needs, but for the market as well). Of particular interest are miscellaneous souvenirs as well as articles for personal and household use.

As the requirements of the market increase more and more and the possibilities for agricultural production become greater and greater because of the ever broader use of machines and proper soil and crop practices, it becomes indispensable to strengthen the process of bringing private farmers together into agricultural co-operatives and to strengthening association and cooperation of holders of private holdings with the socialized sectors of agriculture and with associated labor in general.

3. Incentives and Actions in Order To Speed Up the Development of Small Business

3.1. Credit Financing and Other Ways of Financing Development of Small Business

All the republics and provinces have adopted social compacts on the development of small business in which quite a bit is said about credit financing and other ways of financing the development of small business, but this is not being implemented.

Not only the resources of organizations of associated labor in the small business sector, but also the savings of individuals, of self-employed persons, and of persons returning from temporary employment abroad are especially important to providing financing for the more rapid development of small business.

The question of providing financing and credit for development of small business could also be resolved by creating a separate bank for small business or by earmarking certain resources within existing banks for small business.

Since investments to meet the development needs of small business have been inadequate in the period up to now, in line with the anticipated more rapid development of small business in the coming period, it is indispensable to furnish the necessary volume, distribution and rate of investment, and it must be borne in mind in this connection that the internal resources of small business are inadequate.

Aside from the resources of work organizations in the small-business sector, then, additional capital needs to be committed: bank resources, resources of the republic fund for stimulating development of the underdeveloped regions, resources of SIJ's [self-managed community of interest], etc. It is estimated that the share of work organizations in the small-business sector themselves should be about 50 percent. It has been noted that in recent years the banks have also begun to turn more in the direction of small business. In Belgrade, for example, nearly all commercial banks signed the Social Compact on Development of Small Business and have become involved in its implementation, and the republic fund for development of underdeveloped regions is earmarking a portion of resources for building the facilities of the small-business sector. The SIJ for foreign economic relations of the Republic of Serbia is furnishing foreign exchange to meet the needs of small business. It is well known that the Fourth Assembly of SR Serbia has adopted a decision to channel \$15.5 million of the resources of the International Bank in the form of a line of credit to finance projects of the small-business sector, in which connection it also approved a list of 113 priority projects, but use of these funds has not begun, since the mechanics have not been worked out for the use of these

resources, nor has a bank been designated for the lending of these funds. Within the framework of this effort large work organizations were also called upon to submit their projects, but only the Crvena Zastava Plants of Kragujevac and the DIT [Tractor and Motor Industry] of Belgrade responded to this invitation.

As for the banks, small business should be afforded a larger share of total investments, as well as a larger share in the framework of social plans and general development programs (lower rates of interest, longer periods for repayment of credit, smaller percentage of participation, etc.). There should be particular incentives for self-employed persons and particularly persons returning from temporary employment abroad to invest their funds through cooperatives, contract organizations of associated labor, both on their own and through other forms of pooling labor and capital to establish plants and workshops for manufacturing and for rendering of services.

In addition, the amounts under the order in effect on conditions under which physical persons may import, carry in and receive certain articles from abroad should be raised;⁶ a proposal has been made for regulation of the import of equipment for contract organizations of associated labor by Yugoslavs returning from temporary employment abroad, since the current regulations do not act as an incentive either with respect to investment or with respect to their return to the country. A practicable and purposive solution of this problem would on the one hand encourage the people returning not to invest their savings to build large residential buildings, but with this capital to ensure employment not only for themselves, but also for a certain number of other workers.

It has also been proposed that additional foreign credit of \$32 million be secured to finance the development of small business, which is a condition for realizing the line of credit of the International Financial Corporation, and it is expected that this line will soon become operative. However, a question that remains open in this connection is securing additional foreign credit in the same amount, which the republics and provinces are supposed to secure as foreign indebtedness (\$4 million each).

3.2. Price Policy

On the basis of the social compact self-management accords on price levels in sectors, industries and groupings have also been signed in all opstinas, and the signatories of these self-management accords included private craftsmen and tradesmen as well as work organizations in the small-business sector. However, all the opstinas have not signed the social compact, which to a considerable extent disrupts price policy in small business (in this case the opstinas are setting prices on the basis of the order of the respective executive council in accordance with criteria for setting price levels).

When prices are being set in the small-business sector respect should be paid to the economic position of the various economic units in small business as well as to the social need for their development in view of the needs of the market today and in the near future. Provision should at the same time be made for monitoring performance of the obligation assumed with respect to price levels, care being

taken that the movement of prices be adjusted in good time to the effect of inflation and the necessary selectivity being applied. The present situation with respect to price levels in small business is forcing even the most productive organizations of associated labor to the margin between profit and loss or even below that line. The price level is affected by the unlicensed work of individuals who are otherwise employed and also by the work of individuals who are not steadily employed and whose work is not registered (especially in the construction industry).

3.3. Tax Policy

In the tax system it is essential that the taxpayer know his obligations at the beginning of the year so that he can plan his operation safe from a subsequent retroactive increase during the year. The only exception to this is taxation levied in amounts fixed in advance; in this case the fixed amount might be raised in proportion to the price index, but even then it should be made possible for the tax to be computed on the basis of revenues.

The opština has the largest role in conducting tax policy in the domain of small business (revenue from the crafts and trades belongs entirely to the opština). Incidentally, the policy governing taxes and contributions has not yet been coordinated. For example, in SR Serbia all regions but one have evaded enforcement of the social compact.

In any case, the exemptions differ from opština to opština, as follows:

- i. a 5-percent tax reduction for every worker employed provided he has worked the entire year;
- ii. a 30-percent tax reduction for the first 2 years, if investments exceed a certain amount;
- iii. tax deductions for Yugoslavs returning from abroad during their first and second years of operation (40 percent and 20 percent, respectively);
- iv. a tax reduction for taxpayers who have apprentices (5 percent for each apprentice);
- v. reduction of taxes on activities which are scarce or fixed-amount taxation of these activities;
- vi. deductions for Yugoslav returning from abroad who invest capital to build and adapt commercial space;
- vii. deductions for taxpayers who pool their labor and capital through various forms of cooperation and business collaboration with organizations of associated labor;
- viii. deductions for craftsmen and tradesmen over age 65 and over age 55 for women, etc.

However, in certain opstinas the deductions are so great, going even to the point of complete exemption that the principle of uniformity could be destroyed and there could be great differences from opstina to opstina. That would result in the moving of activities from one opstina to another or even from one republic (or province) to another, with all the adverse consequences deriving therefrom.

In order to create conditions favorable to the development of small business in the private sector there is a need for opstinas to adopt a program of long-range tax policy that would stimulate the development of self-employment and yet ensure strict tax discipline.

The effort of tax agencies must not be reduced solely to enforcement of regulations and enforcement of tax regulations, but they should monitor development of small business and cooperate with associations of craftsmen and tradesmen.

In SR Serbia (not including the provinces) the assessment⁷ is that an incentive policy of taxes and contributions could result in the employment of about 35,000 persons in the privately operated crafts and trades alone. And then carrying out the projects announced by organizations of associated labor in the small-business sector which were assembled in connection with use of foreign sources of financing would make it possible to employ more than 12,000 persons. Then comes additional hiring in contract organizations of associated labor and the possibilities of employment for producers in handicrafts, all of which could be encouraged by suitable tax policy measures.

In order to make the position of self-employed persons equal to the position of workers in associated labor, the process already begun of reconciling rates of taxes and contributions on income and on personal incomes must be continued and brought to its conclusion.

Yet in spite of what we have said, it is estimated that by enforcing the Social Compact on Alignment of Tax Policy in the Domain of Self-Employment in Economic and Noneconomic Activities all the republics and provinces have by and large equalized the tax obligations of self-employed persons, so that tax policy is no longer a significant factor acting as a limitation on development of self-employment. However, this is not the case with contributions to self-managed communities of interest for public and social services, since both the public sector and also the private sector are still paying 15 different types of contributions, which puts a considerable burden on their income, and this problem should be specifically examined and appropriate decisions made.

3.4. Commercial Space

The facilities of small business should be located as close to customers as possible, but this often is not the case, especially in new settlements. In Belgrade, for example, 70 percent of the service facilities are located in the immediate center of the city, and much the same is the case in other cities.

In any case the commercial space intended for the activities of small business is inadequate in both size and quality, and many stores suitable for this purpose are being used for office space, as branch offices, etc.

The process of the urbanization of settlements generates the need for services which previously did not exist (maintenance of vehicles, radio and television equipment and household appliances, personal services, etc.), and this necessitates the building of new commercial space.

It is notable that Belgrade has made a significant effort by programming development of centers of local communities in new settlements and within them has earmarked sizable space (of about 450 square meters) for self-employed persons carrying on activities which are scarce (37 centers have been built, and a number are now under construction). In Titovo Ulice 50 percent of funds collected from small businesses are channeled into the construction of commercial space to meet the needs of small business. A significant effort is being made in this area in Sarajevo.

The problem of commercial space for small business can also be solved by enlisting private capital, which could be in the form of payment in advance on commercial space which would be repaid by reduced rent for a certain number of years. It should also be made possible for individuals to build commercial space with their own capital not only within their family dwelling, but outside it as well.⁸ Another proposal is to undertake amendment of the Law on Expropriation to provide that when commercial space of organizations of associated labor in the crafts and trades, independent craftsmen and tradesmen and independent hostellers is demolished, equivalent commercial space be provided in at least the same amount as was demolished.

3.5. Personnel Development

The system we have had up to now for the schooling and training of personnel to meet the needs of small business has not responded to the needs of its development, and this is one of the significant factors accounting for its slower development. To be specific, the training of young people for occupations in the self-employment sector has been neglected, since the owners of establishments were discouraged from training new personnel, especially since certain crafts and trades are vanishing, but new ones are not emerging.

The system of vocational education has not been adapted to the needs of small business, since workers employed in craft and trade establishments must be capable of a broader range of operations and functions than is the case with industrial production.

There is a particular problem in filling gaps in certain crafts and trades which are scarce and also artistic and old crafts and trades, and the necessary conditions to achieve that aim should be provided for. In this connection we should bear in mind that a large number of young people who have finished secondary education (academic high school, business school, technical school, or other school) wait years for employment, but they might be equipped for some of these crafts and trades through special courses. This training would not be expensive, nor would it take long, since these are people who come to it with quite a bit of knowledge already, and not only craftsmen and tradesmen within associations, but also communities of interest for employment security, economic chambers and other public entities should be enlisted in this effort. The training might be done within the framework of existing educational centers, or separate centers established for that purpose.

The development of small business in the coming period makes it indispensable to raise the professional level of personnel now employed in small business and to improve the composition of the work force with respect to skills, especially with respect to highly educated specialists.⁹

In addition to personnel development, there is also the task of strengthening specialized bureaus and institutions which with their organizational, technological and economic analyses, as well as consultation and project planning services would stimulate the development of small business, would disseminate know-how, would prepare professional handbooks and literature, would study foreign experience and our own experience, etc.

There is a need to examine the possibility of granting specific tax exemptions and other incentives to those organizations of associated labor or owners of craft and trade establishments employing apprentices.

In speaking about personnel development, we wish to point to the need for real training and not just the imparting of purely formal qualifications, which is a rather common occurrence.¹⁰

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2. The growth rate of the social product of the crafts and trades is as follows:

	<u>Total</u>	<u>Socialized Sector</u>	<u>Private Sector</u>
1976-1980 plan	7.2	6.9	7.6
Estimated actual result	6.1	6.6	4.5
3. Executive Council of the Assembly of SR Serbia, Belgrade, 22 November 1978.
4. "Once Again About Other People's Clothes" (S. Ast and M. Dimitrijevic, NIN, No 1509, 9 December 1979).
5. "Informacija o rezultatima poslovanja male privrede u 1975 godini" [Report on Operating Results of Small Business in 1975], Social Accounting Service for Yugoslavia, Belgrade, April 1977.
6. SLUŽBENI LIST SFRJ, No 34, 1977.
7. "Izveštaj o stanju i problemima male privrede" [Report on the Status and Problems of Small Business], Executive Council of the Assembly of SR Serbia, Belgrade, 22 November 1978.

8. A proposal has been made to that effect in SR Serbia whereby an individual could own up to 70 square meters of commercial space outside his own family dwelling.
9. It is calculated that in 1985 the share of trained personnel in the total number of employees in small business would amount to about 75 percent.
10. How otherwise to interpret the fact that the composition of the work force in Slovenia with respect to skills is the poorest, but labor productivity in that republic is considerably higher than the Yugoslav average.

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BRIEFS

SPRING PLANTING--According to estimates by experts, a sugar beet harvest of 7.4 million tons can be expected from this year's planting, from which 984,000 tons of sugar could be produced, thus satisfying domestic demand, and leaving about 184,000 tons for export. From the 277,174 hectares planned to be planted in sunflowers this spring, 609,000 tons are expected to be harvested. The average yield expected from the 62,829 hectares to be planted in soybeans would be 125,000 tons. It is estimated that 2,855,000 tons of artificial fertilizers will be needed. According to recent estimates, there is a shortage of 140,000 tons of calcium-ammonium-nitrate fertilizer and 50,000 tons of urea fertilizer. Import of the 190,000 tons has been approved but \$40 million in payment must be provided. [Excerpt] [Belgrade PRIVREDNI PREGLED in Serbo-Croatian 10 Mar 81 p 5]

PLANTING IN VOJVODINA, MACEDONIA--A total of over 1,100,000 hectares are planned to be planted in Vojvodina this spring, including 110,000 hectares in sugar beets, 200,000 in sunflowers, 50,000 hectares in soybeans, 636,000 hectares in corn, and 92,000 hectares in vegetables. The planting of sugar beets should be carried out by 5 April at the latest; from the 110,000 hectares planted, 675,000 tons of sugar could be produced. This spring 15.5 percent more area will be planted in Macedonia than last year, a total of 414,000 hectares. Most, 229,000 hectares, will be planted in grains, largely wheat; most of the remainder will be planted in sugar beets, sunflowers and tobacco. [Excerpt] [Belgrade BORBA in Serbo-Croatian 9 Mar 81 p 14]

PLANTING IN BOSNIA-HERCEGOVINA--A total of 705,000 hectares are to be planted in Bosnia-Herzegovina this spring, or 120,000 hectares more than last spring; this will include grain on 380,000 hectares (including 280,000 hectares in corn and 5,000 hectares in wheat), 110,000 hectares in vegetables, 195,000 hectares in feed crops, and 20,000 hectares in industrial crops, especially tobacco and sugar beets. [Excerpt] [Belgrade KOMUNIST in Serbo-Croatian 6 Mar 81 p 12]

PLANTING IN CROATIA--This spring emphasis must be placed on planting those crops which are now in short supply on the market (potatoes, onions, peas), as well as those which eliminate the need to import or which open up a prospect for export (sugar, oil, corn). The program calls for planting about 900,000 hectares, including the area on which wheat should have been planted last fall. Corn is planned to be planted on about 420,000 hectares, industrial crops (especially sugar beets and oil crops) on 42,000 hectares, spring barley on 24,400 hectares, and oats on 34,000 hectares. The area to be planted in tobacco has been increased

to 13,000 hectares, while 160,000 hectares will be planted in other spring crops, especially vegetables. [Excerpt] [Belgrade KOMUNIST in Serbo-Croatian 6 Mar 81 p 13]

PLANTING IN SERBIA--It is expected that a total of 1,239,000 hectares will be planted this spring in Serbia proper. Corn will be planted on 700,000 hectares, or 48,000 hectares more than last year. If the planned average yield of 3,860 kilograms per hectare is achieved, one can expect a total harvest of over 2,700,000 tons of corn. It is also planned to increase the sugar beet harvest by 45 percent, sunflowers by 40 percent, and the tobacco harvest by 25 percent. Although there are more than 100,000 privately-owned tractors, or one tractor in this republic per 18 hectares of agricultural land, the situation varies from postina to postina. Everywhere there is a lack of sowers and other machine attachments, and machinery is poorly maintained because there is no organized servicing of machines. [Excerpt] [Belgrade KOMUNIST in Serbo-Croatian 13 Mar 81 p 12]

PLANTING IN MONTENEGRO--About 5 percent more area is planned for spring planting this year than last spring, with the socialized sector planting 1,800 hectares, mostly in feed crops, and the private sector planting about 42,000 hectares, mostly in vegetables. A total of 9,000 hectares will be planted in corn and potatoes, 10,000 hectares in barley, and 5,000 hectares in vegetables. [Excerpt] [Belgrade KOMUNIST in Serbo-Croatian 13 Mar 81 p 13]

KOSOVO POPULATION--At the end of 1979 the population of Kosovo was 1,556,000. If the population increased in 1980 at the annual rate prevailing during the 1976-79 period of 2.5 percent, it is said that the Kosovo population at the beginning of this year would be about 1.6 million. At the end of 1979 the population of Pristina Opstina numbered about 230,000, or 28.5 percent more than 4 years previously. If this trend continued in 1980, Pristina Opstina would be entering this second 5-year period with over 240,000 inhabitants, while the city of Pristina would now have about 120,000 inhabitants. Next after Pristina is Prizren [Opstina] which had over 129,000 inhabitants at the end of 1979. At this time, in addition, the population of Pec Opstina numbered about 116,000, Kosovska Mitrovica Opstina about 112,000, Urosevac [Opstina] 104,000, Djakovica [Opstina] 91,000, Gnjilane [Opstina] 82,000, and Podujevo [Opstina] 68,000. From 1975 to the end of 1979 the population of Pristina increased 28.5 percent, that of Pec 14.7 percent, Prizren 14.6 percent, Djakovica 12.4 percent, and Kosovska Mitrovica 9.6 percent. [Excerpt] [Pristina RILINDJA in Albanian 7 Mar 81 p 7]

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